



2009-2010

Annual Report

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1. MAYORS FOREWORD

It is indeed an honour and a privilege to serve the community of Kgetlengrivier Local Municipality. In the process of serving you, from time to time we have to provide you with a progress report about the status of the municipality. The presentation of this Annual Report marks a milestone of an achievement, in that we come a long way in unifying the inherited administration of three towns that had different systems and approach towards service delivery. The Kgetlengrivier of today is a product of hard work and sacrifices by all.

The mandate from the people clearly dictates that we continue to democratize our society, decentralise the economy and foster the participation of the previously marginalized people in order to better their lives. In the pursuit of a better life for all the country's constitution has outlined the following objectives for the municipality:

- To provide a democratic and accountable government to the local communities
- To ensure the provision of services to the communities is sustainable
- To promote social and economic development
- To promote a safe and a healthy environment
- To encourage the involvement of communities in the affairs of local government

It further states that a municipality must strive to serve its community within its financial and administrative capacity to achieve these objectives.

This Annual Report will attempt to address the abovementioned objectives as prescribed by the community's mandate.

To the community of Kgetlengrivier, this report should be used as a tool to measure the consolidation and deepening of our democracy, by ensuring that all those mandated to deliver on the mandate given by communities, are held accountable at all times.

Cllr. D W Moleko

MAYOR



2. MUNICIPAL MANAGER'S ACCOUNTABILITY STATEMENT

The Honorable Mayor, it is my pleasure to present the Annual Report of Kgetlengrivier Local Municipality for the financial year that ended on the 30th June 2010.

Section 46 of the Municipal Systems Act of 2000, requires that the municipality must develop the Annual Report that reflects the performance of the municipality in the year under review.

In line with legislative provisions, this report will show actual performance of this municipality against the agreed budget for the year under review as part of accountability to the local community about the decisions taken throughout the year.

S K Khote

Municipal Manager

3. CHAPTER ONE

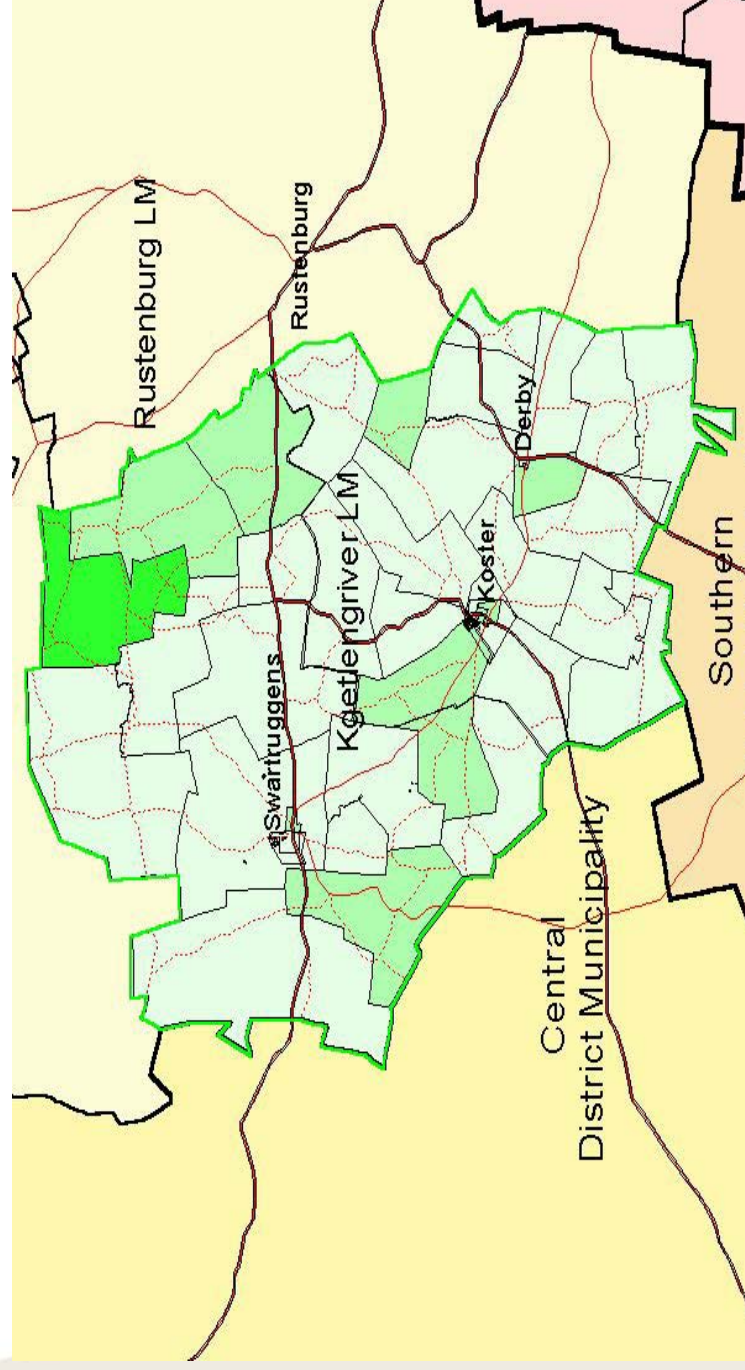
3.1. INTRODUCTION AND BACKGROUND

Location

The Kgetlengrivier Local Municipality (NW374) is located in the Southeastern part of North West Province and forms part of Bojanala Platinum District Municipality (DC37), bordering Rustenburg Local Municipality on the west, Ventersdorp Local Municipality (which falls under the Southern District Municipality) on the south, Ditsobotla Local municipality on the east, Ramotshere Moiloa Local Municipality (which falls on the Central District Municipality) on the north east as well as Moses Kotane on the north side.

The Northern portion of the area is situated on one of the main SDI's identified by National Government (Department of Trade and Industry in co-operation with the Department of Transport). It forms part of an explicit spatial programme aiming to unlock the inherent and underutilized economic development potential of specific spatial locations in South Africa. Central to this initiative is the Pretoria – Lobatse Platinum corridor (N4), which passes via Swartruggens. .

Figure 1: Map of Kgetleng Municipality



The Political Structure

Kgetlengrivier local municipality is established as a Category B Municipality as determined by the Demarcation Board in terms of Section 4 of the Municipal Structures Act, 1998. It was by as the amalgamation of the local councils of Swartruggens, Koster and Derby towns and its townships and farm areas. The municipal area covers a total 3 973.31 km².

According to the 2007 census, the population of the area is reflected as 37 806. The area is mostly populated

by Africans at 32493, which make 81% of total population followed by Whites at 16% and a small fraction of the Asians.

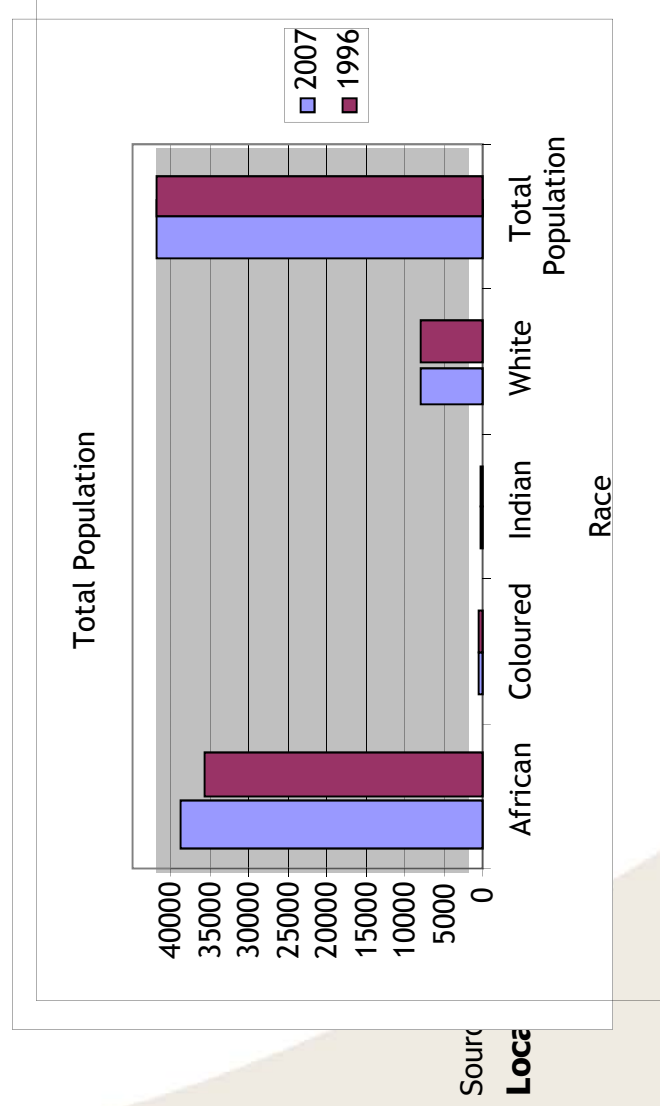
The last census also postulates the municipality to have 14 532 households and the municipal area is this divided into 5 wards;

3.2. SOCIO – ECONOMIC ANALYSIS

Population

According to Statistics South Africa, Kgetleng municipality has a total population of 37 806. The area is predominantly populated by Africans who makes up 32 423, which account for 81% of the total population. Whites are only about 16% and the rest are Asians.

Figure 2: Population levels by Race

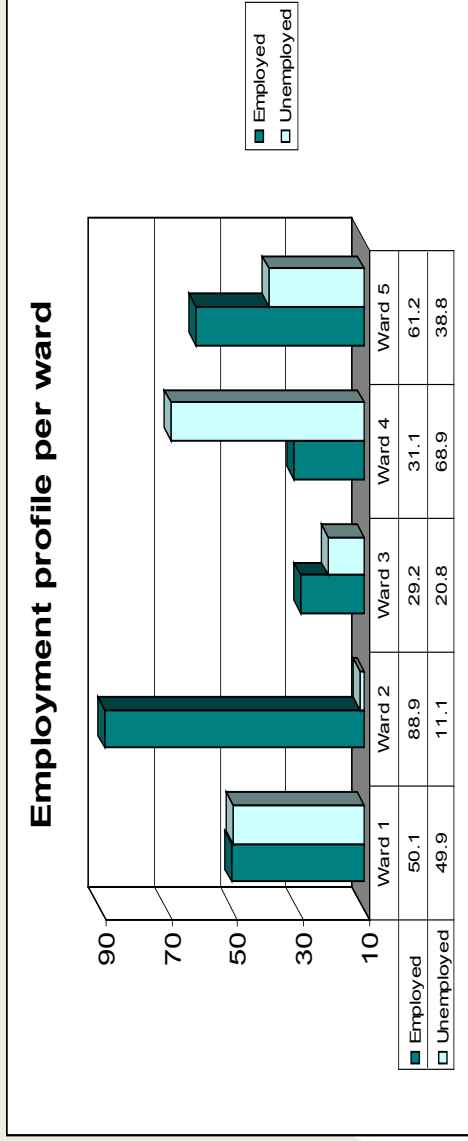


Source: Statistics South Africa, 2001

Levels of Employment and Unemployment

There is generally a high rate of unemployment. This undoubtedly poses a serious challenge to all the relevant structures and authorities for a need of skills training. Skills training have to be encouraged so as to ensure that the communities are empowered to be self-employed and thus reducing dependency on existing employers and especially the municipality in providing jobs. The Ward level breakdown of the employment profile indicates largely different figures amongst the various wards from as low as 11.1% of the economically active population unemployed in Ward 2 to as high as 68.9% in Ward 4. These figures also indicate that the unemployment figures are particularly high in Wards 1 and 4 of the municipality.

Figure 3: Employment profile per ward



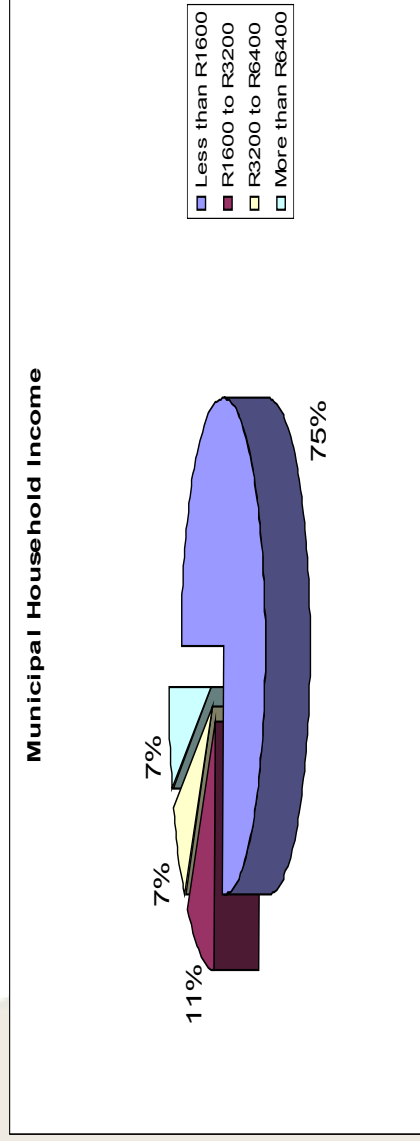
Source: Demarcation Board of South Africa, 2006

The low level of individual and household income indicates the desperate need for additional jobs and subsequent income in order to support the local businesses. This also affects the resident's ability to pay for the municipal services, provided by the municipality and other service providers.

Affordability and income

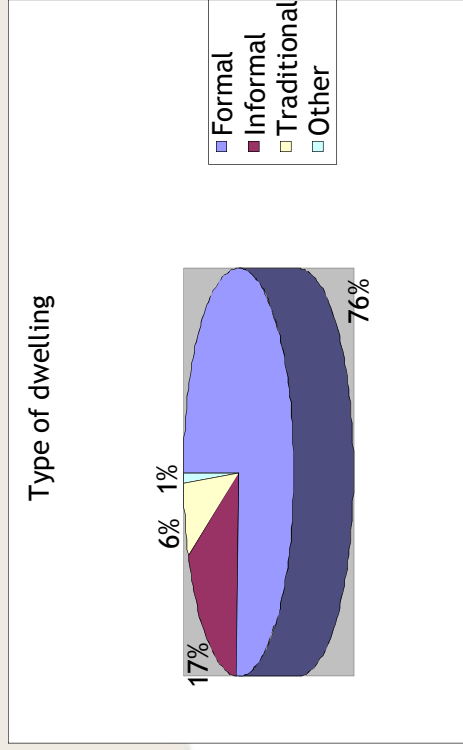
The overall affordability levels in the Kgetlengrivier local municipality is low with around 75.4% of all households earning less than R1600 per household per month. Conversely, only 6.8% of households earn in excess of R6400 per household per month.

Figure 4: Household income



Source: Demarcation Board of South Africa, 2006

Figure 5: Dwelling type



Source: Statistics South Africa, 2001

Statistics South Africa postulate that the municipality has 10 532 households. The 76% increase in the provision of formal housing relates to historical disadvantaged, whilst all the other types are stagnant are the above percentages. It shows the influx of the population.

3.3. Economic Profile

The economy is made-up of agriculture, tourism, small scale mining, and government services. It has a great potential of creating economic growth and reducing unemployment.

PURPOSE

The purpose of this Annual Report is to ensure Municipal Accountability and to increase public confidence.

METHODOLOGY FOLLOWED IN COMPILING THE REPORT

The report was developed in consultation with head of departments.

4. CHAPTER TWO

4.1. KPA: Municipal Transformation and Organizational Development Introduction

In terms of section 46 of the Local Government, Municipal Systems Act, 32 of 2000, municipalities are expected to compile Annual Report with targets set against the previous financial year. The report outlined below, serves as a reflection of the actual performance on targets set in the SDBIP for the financial year 2009/10, with indicated challenges and planned remedial action(s) aimed at improving performance and service delivery. Lastly the report will in summary reflect on actual performance made on functional areas or divisions within the Human Resources and Corporate Services Directorate which are not reflected in the SDBIP.

REPORT

Municipal Objective	Baseline	Key Indicator	2009/2010 Targets and actual Report				2009/2010 Variance	Challenges / Comments	Remedial Plan
			2009/2010 Target	2009/2010 Actual Report	Original Budget	Budget Spent			
Train staff		09/10 Work Place Skills Plan submitted to LG SETA	Jul 09	Jul 09	Operational			The municipality managed to submit the WSP at the end of June 2010 as per requirement.	To engage with Labour Dept to arrange training for HR Unit.
		Training committee functional	1 meeting per quarter	0	Operational		4 meetings were not held.	Due to high number of activities where members were involved, led to the Training committee not being able to meet.	Development of meeting schedule as well as adherence to that.
		% of salary budget spent on training	1%	1%	Operational			The municipality over achieved this KPI.	To align the Work Skills Plan with the municipal priorities as set out in the IDP.
Recruit and retain staff		retention strategy develop	Jan 2010	Jan 2010	Operational			The municipality over performed as the strategy was developed and approved in December 2009.	To train senior management and Councillors' on the Retention Strategy.

Achieve positive employee climate		Health and Safety Committee established	Oct 2010	Not Achieved	Operational			Due to high number of activities where members were involved, led to the Health and Safety committee not being able to meet.	Development of meeting schedule as well as adherence to that. To Conduct safety assessments in the municipality.
		Salary disparities addressed	June 2010	June 2010	Operational			The municipality managed to address the Salary disparities.	To continue in insuring that there are no salary disparities.
		Turnaround time to employee's complaints	30 Days	30 days	Operational			The municipality does respond to employee quires within the specified timeframe.	To develop a comprehensive grievance procedure.
		Conduct Employee Satisfaction Survey	Feb 2010	Not Achieved	Operational			The municipality did not complete the Employee Satisfaction Survey due to high number of complaints that were received from the employees and lack of capacity.	To outsource this programme and put a timeframe.
		Number of workshops to communicate municipal policies	4	3	Operational		1 Workshop was not conducted	The municipality managed to held three meetings as all employees were covered hence there was no need to hold the 4 meeting	Continuous training on new recruits
		Regular cleaning and maintenance of municipal buildings	Continuous	achieved	Operational			The municipality did perform in this regard	There is a need for development of monitoring tool to ensure that cleaning is done adequately.
Promote technology efficiency		Develop IT Master Plan	Jan 2010	Not Achieved	No budget			There was no budget for it hence the function was outsourced for maintenance.	To be budgeted on the financial year 2010/11 and employ resident engineer to manage the IT master plan.

Promote good governance		Align organizational structure with IDP	June 2010	Not Achieved	Operational			The municipality did manage to develop a draft structure hence awaiting council approval.	To table the structure before council and start with its implementation
		Revise Human resource strategy revised	Oct 2010	Oct 2009	Operational			The strategy was reviewed and tabled before council for approval.	To educate staff and Councillors' about the HR strategy.
		2009/2010 Report agreements and contracts signed with all sec 57 managers	Aug 2009	Aug 2009	Operational			The municipality did manage to conclude the PA'S and all sec 57 managers contracts were signed.	To capacitate Directors on reporting
		Provision of secretarial service to the municipality	Continuous	Achieved	Operational			The municipality did perform in this regard.	To capacitate committees officer through training on minutes taking.
		PMS cascaded to unit managers' level	Jan 2010	Not Achieved	Operational			The municipality did not cascade PMS to unit managers as we were awaiting the new structure to be approved by council	To finalize Organizational Structure
		% Compliance with National archives Act	60% march 2010	Not Achieved	Operational			The plan was available waiting to be tabled before council; also the store room was not complete due to budgetary constraints.	To present the filling plan before council for approval also to complete the renovation of the building.
		Maintain sound labor relations	12 LLF meetings	2	Operational		10 meetings were not held	Lack of meeting schedule made it difficult for meetings to be convened as there were other commitments, management resort to informal meetings with trade unions	Reduce number of LLF meetings and development of meeting schedule and adhere to it.
		Timeous distribution of council and section 79 committees Agendas	7 days before meetings		Operational			The municipality did not comply only with special council meetings.	To strengthen the Committees office and ensure that it is well resourced.

4.2 ORGANISATIONAL DESIGN AND CAPACITY

The municipality has reviewed its Organizational Structure in 2007; the structure will once again be reviewed in 10/11 financial year and implemented in three financial year.

Number of posts	
199	
Number of filled posts	
167	
Number of vacant posts	
42	
Number of section 57 employees employed by 30 June 2010	
4	
Total number of terminations and resignations	
19	

4.3 EMPLOYMENT EQUITY

Number of Section 57 Managers classified as blacks	
4	
Number of Section 57 Managers classified as females	
0	
Total number of female staff members	
98	
Total number of male staff members	
101	
Total number of disabled groups	
4	
Total number of coloured	
3	

4.4 Skills Development

Workplace skills plan

2009/10 Skills Plan was done and adopted by Council. The municipality managed to train the following staff on the under mentioned field:

NAME OF STAFF	POSITION	FIELD	AMOUNT	INSTITUTION
A.D. MATHIBE	GENERAL WORKER	ABET		TRIPLE E
A. PINE	GENERAL WORKER	ABET		TRIPLE E
B. OTTO	GENERAL WORKER	ABET		TRIPLE E
D.B. MOGALE	GENERAL WORKER	ABET		TRIPLE E
C.S. MONYATSI	GENERAL WORKER	ABET		TRIPLE E
C. MOGATSWANE	GENERAL WORKER	ABET		TRIPLE E
D. MATALA	GENERAL WORKER	ABET		TRIPLE E
D.R. PUPUNYANE	GENERAL WORKER	ABET		TRIPLE E
D.E. MONTSHO	GENERAL WORKER	ABET		TRIPLE E
J. MOSIMANE	GENERAL WORKER	ABET		TRIPLE E
J. MATLHAPE	GENERAL WORKER	ABET		TRIPLE E
J. LESOMO	GENERAL WORKER	ABET		TRIPLE E
L.N. SEGONYANE	GENERAL WORKER	ABET		TRIPLE E
M.A. MOKOTEDI	GENERAL WORKER	ABET		TRIPLE E
M.E. PILANE	GENERAL WORKER	ABET		TRIPLE E
M.K. LEBELE	GENERAL WORKER	ABET		TRIPLE E
M.L. MOGAPI	GENERAL WORKER	ABET		TRIPLE E
M.M. MAEMELA	GENERAL WORKER	ABET		TRIPLE E
M.M. MAJOLA	GENERAL WORKER	ABET		TRIPLE E
M.A. LEKABE	GENERAL WORKER	ABET		TRIPLE E
M.A. MOKOTEDI	GENERAL WORKER	ABET		TRIPLE E
M.Y. TSELE	GENERAL WORKER	ABET		TRIPLE E
M.M. MOGOMOTSI	GENERAL WORKER	ABET		TRIPLE E
N.E. DITIBANE	GENERAL WORKER	ABET		TRIPLE E
N.M. MATSOSO	GENERAL WORKER	ABET		TRIPLE E
P.E. MOGALE	GENERAL WORKER	ABET		TRIPLE E
R.E. SEGONE	GENERAL WORKER	ABET		TRIPLE E
S.D. MATHEBULA	GENERAL WORKER	ABET		TRIPLE E
S. MBANJWA	GENERAL WORKER	ABET		TRIPLE E
Z.M. MOREI	GENERAL WORKER	ABET		TRIPLE E
B.B. MOLEFE	TRAFFIC	LICENSING	25 000	T S W A N E ACADEMY OF TRAFFIC
O.Z. CHELECHELE	TRAFFIC	LICENSING	25 000	T S W A N E ACADEMY OF TRAFFIC
L.H. MORWE	TRAFFIC	LICENSING	25 000	T S W A N E ACADEMY OF TRAFFIC
A. MANICUS	TRAFFIC	LICENSING	25 000	T S W A N E ACADEMY OF TRAFFIC

M.L. MPHUTI	RECORD CLERK	R E C O R D MANAGEMENT	SBS
L. MANICUS	SDF	DIPLOMA IN TRAINING	SBS
L.K. MOTLHAMPE	IDP/PMS	BBA ADMIN	SBS
B. RAPPHOTO	STORE CLERK	SUPPLY CHAIN	SBS
J.R. MAOTOANE	HR OFFICER	MANAGEMENT MUNICIPAL MANAGEMENT	SBS

Skills Levy (Payments and Rebates)

Total levy paid for the financial year 2009/10 was equals to R236 054.79

4.5. Labour Relations

The directorate is currently managing the labour relations process through relevant legislations and South African Local Government Bargaining Council Collective Agreements. Further that, the directorate has been using two disciplinary codes to regulate disciplinary processes i.e. the SALGBC Collective Disciplinary Code and the Municipal Systems Act 32 of 2000 Disciplinary Code to manage matters of employee discipline. The directorate has been experiencing the challenges of records distortions and in efficient records management systems, while there is also a challenge in developing the municipal labour relations policy.

The new SALGBC Collective Agreement put new challenges in exclusion of the use of External Legal Practitioners which requires the pursuit to put in place internal legal advisory panel. The process to put in place this panel shall be presented to the Local Labour Forum and Council by October 2010.

4.6. Occupational Health and Safety

The municipality is in a process of putting in place a comprehensive plan to regulate occupational health and safety compliance as well as Employee Assistant Programme.

The committee was established in 2009 and was supposed to be reviewed in March 2010 as per the requirement of the Occupational Health and Safety Act. The purpose of this committee is basically to ensure that regulations and compliance issues in the act are adhered to. The review process of this committee was not done as planned based on the reasons outlined in the SDBIP above, and an initiative will be taken to ensure that the committee is reviewed with stakeholder consultation. Occupational Health and Safety training need to be provided to the Committee.

4.7. HR Policy Development

The Directorate has managed to review HR policies which were adopted by Council in August 2009. There is a serious need to educate employees on the new policies.

KGETLENGRIVIER LOCAL MUNICIPALITY POLICIES

No.	Policy	Division	Review Date	Resolution Number
1.	Bad debts write-off Policy	Finance		Res. No. N36/05/2010
2.	Credit Control & Debt Collection Policy	Finance		Res. No. N36/05/2010
3.	Fixed Assets Management Policy	Finance		Res. No. N36/05/2010
4.	Overtime Management Policy	Finance		Res. No. N36/05/2010
5.	Supply Chain Management Policy	Finance		Res. No. N36/05/2010
6.	Vehicle Management Policy	Finance		Res. No. N36/05/2010
7.	Budget and Virements Policy	Finance		Res. No. N36/05/2010
8.	Entertainment and Hospitality Policy	Finance		Res. No. N36/05/2010
9.	Indigent Policy	Finance		Res. No. N36/05/2010
10.	Petty Cash Policy	Finance		Res. No. N36/05/2010
11.	Subsistence and Travelling Policy	Finance		Res. No. N36/05/2010
12.	Cash Management and Investment Policy	Finance		Res. No. N36/05/2010
13.	Expenditure Management Policy	Finance		Res. No. N36/05/2010
14.	Property Rates Policy	Finance		Res. No. N36/05/2010
15.	Property Rates By-Law	Finance		Res. No. N36/05/2010
16.	Tariff Policy	Finance		Res. No. N36/05/2010
17.	HIV/Aids in the Workplace Policy	Human Resource	July 2009	Res. No. N54/07/2009
18.	Labour Relations Policy	Human Resource	July 2009	Res. No. N54/07/2009
19.	Funeral Arrangement Policy	Human Resource	July 2009	Res. No. N54/07/2009
20.	Recruitment, Selection and Placement Policy	Human Resource	July 2009	Res. No. N54/07/2009
No.	Policy	Division	Review Date	Resolution Number
21.	Report Management Policy	Human Resource	July 2009	Res. No. N54/07/2009
22.	Staff Development Policy	Human Resource	July 2009	Res. No. N54/07/2009
23.	Health and Safety Policy	Human Resource	July 2009	Res. No. N54/07/2009
24.	Conflict of Interest and Concerns Policy	Human Resource	July 2009	Res. No. N54/07/2009
25.	Sexual Harassment Policy	Human Resource	July 2009	Res. No. N54/07/2009
26.	Policy on Personnel Records	Human Resource	July 2009	Res. No. N54/07/2009
27.	Leave Policy	Human Resource	July 2009	Res. No. N54/07/2009
28.	Gift to Employees Policy	Human Resource	June 2010	Res. No. N50/08/2010
29.	Medical Examinations Policy	Human Resource	June 2010	Res. No. N50/08/2010
30.	Promotion Policy	Human Resource	June 2010	Res. No. N50/08/2010
31.	Membership of Professional Society Policy	Human Resource	June 2010	Res. No. N50/08/2010
32.	Incapacity Policy	Human Resource	June 2010	Res. No. N50/08/2010
33.	Medical Aid Policy	Human Resource	June 2010	Res. No. N50/08/2010

34.	Appointment of Acting Capacity Policy	Human Resource	June 2010	Res. No. N50/08/2010
35.	Career Pathing Policy	Human Resource	June 2010	Res. No. N50/08/2010
36.	Corporate Governance Policy	Human Resource	June 2010	Res. No. N50/08/2010
37.	Employee Use of Municipal Assets Policy	Human Resource	June 2010	Res. No. N50/08/2010
38.	Protected Disclosure Policy	Human Resource	June 2010	Res. No. N50/08/2010
39.	Relocation Expenditure Policy	Human Resource	June 2010	Res. No. N50/08/2010
40.	Staff Retention and Exit Policy	Human Resource	June 2010	Res. No. N50/08/2010
41.	Substance Abuse Policy	Human Resource	June 2010	Res. No. N50/08/2010
42.	Termination of Service	Human Resource	June 2010	Res. No. N50/08/2010

4.8. Records Management

The Municipality's archive is not yet in line with minimum standards of safe record keeping standards due to lack of space for the records. However, the construction of the archive room is in progress and is at 90% completion stage.

4.9. Leave Management

The municipality is using the manual system. There is still a challenge with regard to capturing and updating of leave application form. There is a need to design pre-numbered leave forms.

4.10. Overtime Management

The Technical Directorate has been experiencing challenges in the implementation of Overtime Management Policy.

4.11. Salaries Administration

The municipality is using phoenix system. The salaries are managed by HR and processed by finance department.

5. CHAPTER THREE

5.1. KPA: MUNICIPAL BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT

Introduction

In terms of section 46 of the Local Government, Municipal Systems Act, 32 of 2000, municipalities are expected to compile Annual Report with targets set against the previous financial year. The report outlined below, serves as a reflection of the actual performance on targets set in the SDBIP for the financial year 2009/10, with indicated challenges and planned remedial action(s) aimed at improving performance and service delivery. Lastly the report will in summary reflect on actual performance made on functional areas or divisions within the Technical and Infrastructure which are reflected in the SDBIP.

REPORT

Municipal Objective	Baseline	Key Report Indicator	2009/2010 Targets and actual Report				2009/2010 Variance	Challenges / Comments	Remedial Plan
			2009/2010 Target	2009/2010 Actual Report	Original Budget	Budget Spent			
Provision of quality water		Number of yard connections and metering	653	429	17,344 million			Vema Steshman was appointed to provide water and sanitation. The project was awarded at R17, 344 Million including professional fees. They have completed extension 6 only awaiting connections. The project could not be completed due to shortfall as it was under budgeted. The municipality has spent all allocated amount on the project.	Additional fund has been sourced and the project will be completed in the financial year 2010/2011. An amount of 2,5 million has been budgeted through MIG.
		Number of communal stands with meters installed	15	15	Opex			The Municipality managed to equip the following areas with Communal Stand pipes. Borolelo 3 Mountain view [Reagile] 3 Leeufontein [Reagile] 6 Derby 3	Even though the Municipality has managed to install communal taps there are some areas that needs to be installed. Borolelo and Farming areas especially where there is Schools.
		Number of raw water pump stations upgraded	2	0	Opex			The pumps were still in good conditions, hence there was no need to upgrade.	To engage Magalies Water and the District for funding of maintenance of raw water pumps.
		Number of boreholes equipped to functional level	8	0	R1million			Magalies water allocated funds to equip boreholes, however we encountered problems with sewer pumps and the money was redirected. All this boreholes were aimed for Koster and Derby.	To engage Magalies Water and the District for funding in order to drill and equip to functional level of the targeted boreholes
		% of 3.5ml reservoir completed	40% by June 2010	95%	R11 Million			Procurement process was finalized by the end of December 2009. The project is currently at 95% complete. The municipality played an oversight role as the project was implemented by BPDM.	To engage with the district for finalization of the project and ensure quality.

Provision of sanitation		Number of new toilet structures erected	653	429	17,344 million			Vema Steshman was appointed to provide water and sanitation. The project was awarded at R17, 344 Million including professional fees. They have completed extension 6 only awaiting connections. The project could not be completed due to shortfall as it was under budgeted. The municipality has spent all allocated amount on the project.	Additional fund has been sourced and the project will be completed in the financial year 2010/2011. An amount of 2,5 million has been budgeted through MIG
		Number of yards connected with waterborne system	653	429	17,344 million			Vema Steshman was appointed to provide water and sanitation. The project was awarded at R17, 344 Million including professional fees. They have completed extension 6 only awaiting connections. The project could not be completed due to shortfall as it was under budgeted. The municipality has spent all allocated amount on the project.	Additional fund has been sourced and the project will be completed in the financial year 2010/2011. An amount of 2,5 million has been budgeted through MIG
		Number of sewer pump stations upgraded	7	7	R1million			Magalies Water was engaged to assist the municipality with funding as there was no internal funding. The money allocated to Drilling of Boreholes was utilized in this regard. The following sewer pump was renovated: Mphe bana Railway station Magalies Mazango Ext 4 Rodenia Borolelo	Even though the municipality has managed to upgrade there are still some challenges with regard to sewer pump. A strategy has to be developed in order to increase the pumps capacity to match the current demand.
		% of waste water treatment works completed	90% by June 2010	30%	R30 million			The project is implemented by the District and the contract was terminated due to non-Report by the appointed contractor.	To engage with the district on finalization of the project as they are the implementers.
		Feasibility study on oxidation ponds conducted	March 2010	March 2010	R1 million			Tank was appointed to develop the feasibility study and secure funding for the project. Quite progress has been made in this regard as DWA has been engaged and they have availed some of their specialist to assist with the ground water protocols	Funding for the project remain a challenge as the project is estimated to be + 100 Million. The municipality must vigorously engage funding institutions to fund the project.

Provision of electricity		Number of households connected with electricity	1000	1631	5 million			The municipality did perform in this regard as the following areas were Electrified: The municipality still struggle to finalize Ratsegae as community are not relocating as expected. EXT 6&7 and Old Reagile 1456 Ratsegae 108 Borolelo 45	The municipality is engaging with the community of Ratsegae to find a common solution to the matter
		Electricity master plan developed	April 2010	Not Achieved	Opex			The municipality did not budget for this programme hence the matter is long overdue.	To engage with DME for request of funding.
		Meters installed at all dams	June 2010	0	Opex			The municipality has not performed in this regard due to lack of funding. The project was supposed to be done through water loss management hence there was shortage of funds.	To engage with DWA on completion of the project and engage with possible funders for funding application
		Number of meters installed for existing customers	Depend on study	0	Opex			After the completion of study it was found that all registered customers they have meters. The challenge was broken meters hence it was replaced. The informal settlements were also audited and proposal was made to the PIG to fund as they are big projects.	The Municipality will start with programme of installing meters in all informal settlements.
Solid Waste Management		Number of initiatives to register Land fills sites.	4	4	Opex			The municipality did write letters to the district regarding our Landfill sites. There was numerous meeting with the district and sites visits were conducted. The challenge was finalization of IWMP as it will form a guide in terms of implementation.	To finalize the IWMP as matter of urgency.
		Integrated Waste Management Plan developed	Jan 2010	Not Achieved	360 000 00			The DBSA avail 50% funding to the municipality, hence the project was advertised and tenders were received from prospective bidders. After engagements with the District and DBSA it was greed that because the District IWMP was done extensively we must utilize the district IWMP	to engage with the district and made inputs on the district IWMP
		Refuse Removal extended to all new settlements.	June 2010	Not Achieved	Opex			The municipality did not achieve this KPI due to limited resources.	To budget for new equipments in 10/11 financial year.

Maintain roads and storm water		Length of roads upgraded to gravel	10km	10km	Opex			Jaap Dutoit was engaged to upgrade roads to gravel. The areas that were done are Reagile, Borolelo and Derby. The municipality had a challenge in terms of monitoring of the service provider due to shortage of staff.	To establish roads and storm water team at technical department in order to maintain our roads also purchase equipments
		Length of road patched or repaired	5km	5km	R500 000 00			The municipality did manage to patched or repaired roads in Koster and Swartruggens even though the project did not make an impact as many of our roads are damaged.	To priorities roads in the next three financial years for upgrading.
Maintain cemeteries		Number of graveyards upgraded	3	3	R2,5 Million			Epitome Consulting was appointed to oversee the project. The project amount was 2,5 million and the was a shortfall of 5,8 million, and the proposal was submitted to MIG and it was approved for the financial year 2010/2011 with the amount of 2 million	The second phase to be implemented in the financial year 2010/2011.
		Number of new graveyards established	1	0	Opex			Identification of Land is ongoing for this purpose.	To fast track the establishment of regional cemetery.
Provide effective land use management		Number of affordable sites developed	750	0	R1,5Million			The municipality did not budget for this project, hence there was a delay in terms of sourcing of funds. Maxim planning has been appointed on risk to apply for funding and formalization of such townships. Progress has been made in this regard as the business plan has been submitted for funding.	To further engage with Land Affairs on matter of funding.
		LUMS developed	June 2010	Not Achieved	R250 000 00			The municipality did not budget for the development of LUMS. A proposal was sent to DBSA and they indicated that it will be considered in the next financial year. Also we are awaiting the province to finalize the Land Use Management bill in order for municipalities to align their LUMS	To engage with DBSA for funding.
		Land audit conducted	Dec 2010	Not Achieved	R250 000 00			The project is implemented by the District hence there is no progress in this regard. The project was advertised in newspapers.	The matter must be referred to the District for urgent discussion and wayward as it is long overdue.

Provide Municipal Health Service and Social Welfare		Number of awareness campaigns supported	Depend on requests / programme of depts.	15	Opex			The municipality manages to assist in this regard as per request. Most of the campaigns were there 2010 soccer world cup related	To engage with sector departments on an annual basis for the plans in order to plan properly and empower office of the mayor to manage such campaigns
Provide traffic and packing services		Number of visible parking bays marked	20	20	Opex			The Municipality managed to mark all identified parking bays.	To develop a strategy in the financial year 2010/11 to address Traffic signs.
		New parking system Developed	June 2010		Opex			The municipality did not budget for this project hence a proposal was made.	To engage with the district and province for funding.
		% of issued fines collected	75%	5%	Opex			The municipality did not manage to collect as expected due to community ignoring summons and tickets.	To engage the sheriff for collection and develop a collection strategy for the municipality.
		Number of special traffic special operations implemented	2	2	Opex			The municipality during Easter and December held successful operations. We managed to averred accidents and also we worked with the SAPS and the provincial Traffic.	The municipality must developed operational plan for special operations
Control of public nuisance and licensing control		By-law adopted	Feb 2010		Operational			Through the MTAS there is commitment from the province to assist the municipality with all by laws that are required hence Public Nuisance By law is also Part of it.	To engage with the province to expedite the process.
Provide library services		Number of programmes rolled out to schools and communities	24/ Library	24/ Library	Opex			The Library sections developed a programme and implemented it and even establish the library forum of which the membership was increased.	That the municipality engage with the of Department of Arts and Culture with regard to the improvement of MOU.

5.2. MIG EXPENDITURE REPORT

The municipality managed to spent 11,9 million on MIG.

5.3. INDIGENT POLICY AND REGISTER

The municipality has reviewed and adopted the indigent policy. A registration was conducted in all wards where communities were registered. The municipality is currently providing the following number of households with Free Basic Services.

SERVICES	NO OF HOUSEHOLDS
Water	All households
Sewer	0
Electricity	0
Refuse removal	0

5.4. WATER AND SANITATION MASTER PLAN

The municipality has developed Water and Sanitation Services Master Plan and waiting for council adoption and currently through the District Busy with the review of WSDP. The municipality has for the past 4 years prioritized water as it posed challenges in the municipality. We have managed to complete the eradication of Bucket system hence the municipality is experiencing high number of households using pit latrine system.

5.5. HOUSING SECTOR PLAN

The municipality is in the process of developing Housing Sector Plan. The plan will assist the municipality in addressing housing backlogs and management of future developments. The plan is at draft stage.

5.6 MUNICIPAL BACKLOGS

Housing

Municipality	Backlog data* @ 2000	Approved subsidies **	No. of houses built by 2007	Total allocation	Total funds spent	Balance backlog	Cost to address backlog	Average required per year
Kgetlengrivier LM	6,377	2,500	1,577	R 54m	R 35m	4,377	R 150m	R 75m
District Total	123,386	78,438	22,272	R 1,079 bn	R 501 m	101,114	R2,55bn	R1,276bn

Water

Municipality	Backlog data* 2000	No of Houses with access to water by 2005	Total Funds Spent	Balance backlog	Cost to address backlog	Average required per year
Kgetleng Rivier LM	10 120	8,283	23,0m	1,837	R12,1m	R4,0m

Sanitation

Municipality	Backlog data* 2000	No of Houses with access to basic sanitation by 2005	Total Funds Spent	Balance backlog	Cost to address backlog	Average required per year
Kgetleng Rivier LM	4,578	2,735	3,6m	1,843	8,3m	4,1m

Electricity

Municipality	Backlog data* 2000	No of Houses connections made by 2005	Total Funds Spent	Balance backlog	Cost to address backlog	Average required per year
Kgetleng Rivier LM	3,867	1,954	3,6m	1, 193	R5,4m	R0,9m

Roads

Municipality	Total Kilometre built	Funding	Total kilometer to be done	Costs	Cost per Annum
Ketlengrivier	Tarred – 13,25	R8,1m	67	R60m	R12m
	Gravel - 0				

6. CHAPTER FOUR

6.1 LOCAL ECONOMIC DEVELOPMENT

Introduction

In terms of section 46 of the Local Government, Municipal Systems Act, 32 of 2000, municipalities are expected to compile Annual Report with targets set against the previous financial year. The report outlined below, serves as a reflection of the actual performance on targets set in the SDBIP for the financial year 2009/10, with indicated challenges and planned remedial action(s) aimed at improving Report and service delivery. Lastly the report will in summary reflect on actual performance made on LED Key performance Areas which are reflected in the SDBIP.

REPORT

Municipal Objective	Baseline	Key Report Indicator	2009/2010 Targets and actual Report				2009/2010 Variance	Challenges / Comments	Remedial Plan
			2009/2010 Target	2009/2010 Actual Report	Original Budget	Budget Spent			
Promote LED and tourism		Functional LED Sector forums established	Jan 2010	Not Achieved	Operational			The municipality did not manage to establish functional forums hence there was several attempts and there was no respond from the community.	To capacitate our LED unit and budget for the establishment of the forum.
		LED unit established	June 2010		Operational			Due to lack of capacity and funds we were unable to establish LED unit. A deployee from DBSA assisted in capacitating our planning and LED.	To established a Town planning and LED unit with resource in financial year 2010/11.
		Number of jobs created through LED and other activities	100	168	Operational			Through municipal capital projects we managed to create jobs as expected.	To engage with the dept of labour to provide training on future job created.
		Number of investors attracted	4		Operational			Due to non functional LED we did not achieve in this regard.	To hold the investor conference in the next financial year
		Number of new business initiatives	3	0	Operational			There were no new initiatives as there was no budget to implement projects.	To budget and engage possible funders to assist the municipality.
		Number of emerging farmers supported	10	0	Operational			There were no new initiatives as there was no budget to implement projects.	To budget and engage possible funders to assist the municipality.
		Number of Small/emerging businesses trained	25		Operational			Through the district we managed to train SMME'S in all wards.	To create database of trained SMME's to avoid duplication.

6.2. LED STRATEGY

The municipality has developed LED strategy and was adopted by Council in May 2009. The strategy was not aligned with the PGDS, NSDP and other development plans. The Strategy will be reviewed in the next financial year to be aligned with relevant plans.

6.3. LED FORUM

The LED Forum was established but due to non functional LED unit in the municipality the forum collapsed. The municipality embarked on a revival Programme. Review of Organizational Structure will bring Human resource capacity to handle LED matters within the municipality.

6.4. JOB CREATION

Through LED initiatives the municipality created 168 number of jobs

7. CHAPTER FIVE

7.1. KPA: MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT

INTRODUCTION

In terms of section 46 of the Local Government, Municipal Systems Act, 32 of 2000, municipalities are expected to compile annual Report with targets set against the previous financial year. The report outlined below, serves as a reflection of the actual performance on targets set in the SDBIP for the financial year 2009/10, with indicated challenges and planned remedial action(s) aimed at improving performance and service delivery. Lastly the report will in summary reflect on actual performance made on Municipal Financial Viability and Management which are reflected in the SDBIP.

PERFORMANCE REPORT

Municipal Objective	Baseline	Key Report Indicator	2009/2010 Targets and actual Report				2009/2010 Variance	Challenges / Comments	Remedial Plan
			2009/2010 Target	2009/2010 Actual Report	Original Budget	Budget Spent			
Expand Revenue base		Number of new sites billed	2000	Partially achieved: 450 additional sites billed	Operational			Lack of coordination between finance and technical services department	Establishment of controls and processes for collecting of information regarding new connections or sites

Promote sound financial management		Compliance with MFMA	100% by June 2010	Partially achieved: Not all 16 MFMA priorities were implemented. 9 of 16 (56%) dealt with during the year	Operational			Lack of capacity and funding led to non-implementation of MFMA priorities	<ul style="list-style-type: none"> - Municipal delegations and publication of data on website will be finalized in the first quarter of the 2010-11 financial year. - Internal auditor will be appointed in the 2010-11 financial year - Bojanala Platinum District Municipality's audit committee will be utilized through shared services
		Number of budget statements submitted to council	12	Partially achieved: All 12 months budget statement sent to Council	Operational			Reports could not be sent on time due to lack of capacity	Accuracy and timeous submission of reports will be improved
		New viable financial system identified	Nov 2009	Partially achieved: Existing financial management system was retained and is used optimally (all critical module are utilized)	Operational			Staff was not trained adequately and relied more on service provider	Enhancement of the financial management system and re-training of staff. Replacement of certain modules of the financial management system (e.g. payroll)
		2008/9 Financial statements submitted to AG	Oct 09	Partially achieved: Annual Financial Statement for 2008-09 were only submitted in March 2010	Operational			Lack of capacity	Updating of accounting records on a monthly basis to ensure submission of financial statements by 31 August annually.
		2009/10 Adjustment budget approved by council	Jan 2010	Partially achieved: Budget adjustment was only completed in March 2010	Operational			Lack of capacity	Monitoring of the budget at line item level and allocate responsibility to specific employee
		2010/11 Budget approved	May 2010	Achieved: Budget approved in May 2010	Operational				
		% adherence to Budget control measures	95%	Not Achieved: Budget not properly monitored	Operational			Orders done manually and low revenue collection rate resulted in high provision for bad debts	Electronic orders and monitoring of collection rates and adjust the budget where there are low levels of income

Increase revenue		Municipal Services accounts revised	June 2010	Achieved: 3780 accounts revised after receiving queries during the year	Operational				
		Audit of unbilled consumers conducted	Nov 09	Not Achieved: Audit not performed	Operational			Audit not performed due to lack of capacity and funds	Application for funding from Bojanala Platinum District Municipality for data purification
		% of consumers billed	100%	Achieved: All consumers on the system billed on a monthly basis (100%)	Operational				
		Valuation roll compiled	May 2010	Achieved: Valuation roll and relevant process finalized by May 2010	R1Million			- Objections and appeals not address - Non attendance of meetings by the public	Improve communication strategies with the local community to encourage participation in municipal affairs
		% of consumers registered as property rate payers	Depend on new property valuation roll	Partially Achieved: Not all taxpayers properties were evaluated	Operational			Properties not evaluated due to lack of information and capacity to monitor Report of the service provider	Interim Valuations to address omissions and errors on the valuation roll
		% of outstanding debt collected	30%	Partially achieved: 10% of outstanding debt collected	Operational			Target not achieved due to inaccurate and lack of capacity and funds	Application for funding from Bojanala Platinum District Municipality for data purification

7.2. SUPPLY CHAIN MANAGEMENT

The municipality supply chain was revived; hence the supply chain management policy was reviewed and adopted by council. The unit is able to implement Policy even though capacity within remain a challenge, systems and processes were improved towards the end of the financial year.

- **Introduction**

Budget and Treasury Office presents this report in terms of the Supply Chain Management Policy. SCM regulations require that the report on the implementation of the supply chain management policy and systems be submitted on quarterly basis to the council.

- **The SCM Policy**

The policy has been developed and was reviewed in May 2010.

- **SCM Unit**

The SCM Unit was not functional during the 2009-10 financial year, however it informally established in June 2010 and has been included in the proposed organizational structure for consideration by Council.

- DEMAND MANAGEMENT

This is the function which, if well implemented, can bring efficiency and effectiveness on the overall Report of the unit and the entire municipality. The function entails needs analysis and planning for acquisitions to meet the needs of cost centers/user departments.

This function is not performed to the expected level or as required due to lack of dedicated personnel for the function.

The impact of this problem is that there is no planning for acquisitions and ultimately emergency procurement activities are escalating and this result in non-compliance with the policy and regulations.

- ACQUISITION MANAGEMENT

The unit processes quotations and generates orders. List of prospective service providers was not updated and a number of entities that have registered no longer have valid information on the database.

A number of transactions were concluded without following SCM policy and there are no contracts and service level agreements with service providers.

Goods or Services with a value exceeding R30 000 were not advertised for more than 7 days (This was implemented from April 2010).

An evaluation criterion of the quotations was not clearly indicated before April 2010.

Goods and Services that were supposed to go through competitive bidding process were only procured by means of quotations and orders.

- Stores

The stores were not functioning during the year and records were not kept for movement of stocks.

The value of items kept by the stores has decreased since the previous financial years. The following items have been phased in and kept and regularly managed through the stores system:

- Electrical and
 - Plumbing material

- Assets and fleet

Fleet is still a major challenge due to high maintenance costs, which are mainly caused by age of the fleet and abuse of vehicles and machinery by the users.

Comprehensive asset register has not been developed. Bojanala Platinum District Municipality has appointed a service provider to assist the municipality. Movable assets were bar-coded, however no values were attached.

Currently there are no full time personnel at the entire component, and the positions has also been included in the proposed structure.

- TRAINING OF SCM PRACTITIONERS AND OFFICIALS INVOLVED IN SCM PROCESSES

No other training has been provided and the department has planned to send officials to formal training before the end of the first quarter in the 2010-11 financial year.

7.3. REVENUE MANAGEMENT

TARRIFS

Proposed tariff increase for the 2009/10 to 2010/11 with prior year comparative

Description	2007/08	2008/09	2009/10	2010/2011
Property Rates	5.5%	6.1%	5%	4.5%
Refuse	5.5%	6.1%	5%	4.5%
Sewerage	5.5%	6.1%	5%	4.5%
Water	5.5%	6.1%	5%	4.5%
Electricity	0	0	6.2%	4.8

7.4. BUDGET AND FINANCIAL REPORTING

MUNICIPAL INCOME FOR 2009/10 FINANCIAL YEAR

DESCRIPTION	BUDGET	ACTUAL
FINANCE MANAGEMENT GRANT	R 2 750 000	R 2 750 000
SYSTEM IMPROVEMENTS GRANT	R 735 000	R 0
MUNICIPAL INFRASTRUCTURE GRANT	R11 959 000	R11 959 000
LIBRARY GRANT	R300 000	R300 000
EQUITABLE SHARES	R25 638 001	R25 638 001
SERVICE CHARGES	R25 053 000	R22 630 615
OTHER INCOME	R20 258 999	R19 875 983
TOTAL INCOME	R86 694 000	R83 153 599

BUDGET PER TYPE

The operating and capital budgets has been divided as follows:

DESCRIPTION	BUDGET	ACTUAL
SALARIES,WAGES AND ALLOWANCE	R23 298 000	R24 333 047
COUNCILLORS REMUNERATION AND ALLOWANCE	R1 923 000	R 1 655 263
BULK PURCHASES	R12 758 000	R10 980 603
BAD DEBTS	R600 000	R19 428 053
REPAIRS AND MAINTANANCE	R 4 058 000	R 4 598 981
GENERAL EXPENDITURE	R 22 233 000	R20 713 142
CAPITAL EXPENDITURE	R21 761 000	R29 827 585
TOTAL BUDGET	R86 631 000	R111 536 674

8. CHAPTER SIX

8.1. GOOD GOVERNANCE AND PUBLIC PARTICIPATION

INTRODUCTION

In terms of section 46 of the Local Government, Municipal Systems Act, 32 of 2000, municipalities are expected to compile Annual Report with targets set for against the previous financial year. The report outlined below, serves as a reflection of the actual performance on targets set in the SDBIP for the financial year 2009/10, with indicated challenges and planned remedial action(s) aimed at improving performance and service delivery. Lastly the report will in summary reflect on actual performance made on Good Governance and Public Participation which are reflected in the SDBIP.

REPORT

Municipal Objective	Baseline	Key Report Indicator	2009/2010 Targets and actual Report				2009/2010 Variance	Challenges / Comments	Remedial Plan
			2009/2010 Target	2009/2010 Actual Report	Original Budget	Budget Spent			
Promote Good Governance		Number of ward committee meetings held	4 per ward	4 per ward	Operational			The municipality managed to hold ward committees even though some of the ward did not perform as expected. Later during the financial year the office of the speaker disbanded the ward committees.	To re establish ward committee and trained them in terms of their functionality and develop action plan for the year.
		Number of council meetings held	12		Operational			The municipality did manage to hold council meetings as per legislation. Even though the target was set due to other commitments council could not seat as expected.	To develop targets as per legislation others to be treated as special council meetings
		% decrease in number of audit queries	95%	Not Sure	Operational			This KPI can be measured after the auditing	the municipality must prepare Financial Statement and section 46 report in time and submit them to the Auditor General.
		Number of internal audit reports submitted to council	12	0	Operational			The municipality has no capacity to conduct internal audit as there is no internal auditor.	To review the organizational structure and appoint internal auditor.

8.2. ANTI CORRUPTION

The municipality has developed an Anti corruption policy and numerous workshop were held for senior management and councilors. The policy is implemented.

8.3. MAYORAL IMBIZO

The municipality has managed to hold 13 mayoral imbizo in the financial year 2009/10. The imbizo were meant to involve to community on IDP, Budget and MPRA. The meetings were well attended by the communities.

8.4. CHALLENGES ON PUBLIC PARTICIPATION

The municipality experienced number of challenges with regard to Public Participation which amongst are:

- ❖ Political Instability
- ❖ Vastness of wards 2 &3
- ❖ Capacity in Mayor's office
- ❖ Dysfunctional Ward Committees
- ❖ Lack of Public Participation Strategy

8.5. WARD COMMITTEES

Ward Committees were established in all wards. They were trained by the municipality through USAID and BPDM. They were provided with the resources for their work related programmes. They later became dysfunctional, and as a result the Speaker disbanded them. A Programme was developed to re establish them of which it was a success.

8.6. PMS STRUCTURES

Internal Audit

The municipality has been unable to appointed Internal Auditor in the year under review. The Process of the Review of Organizational Structure is complete and the unit has been created. The process of recruitment has however unfolded and was expected to be finalized at the end of September 2010. The district has also been approached to assist with capacity; and have agreed to send Internal Auditor Intern.

PAC

The municipality is using a shared service model with the District. Currently Negotiations are on the way to develop MOU which will bind both municipalities.

9. CHAPTER SEVEN

9.1. SPATIAL RATIONAL

INTRODUCTION

In terms of section 46 of the Local Government, Municipal Systems Act, 32 of 2000, municipalities are expected to compile Annual Report with targets set against the previous financial year. The report outlined below, serves as a reflection of the actual performance on targets set in the SDBIP for the financial year 2009/10, with indicated challenges and planned remedial action(s) aimed at improving Report and service delivery. Lastly the report will in summary reflect on actual performance made on Spatial Rational which are reflected in the SDBIP

REPORT

Municipal Objective	Baseline	Key Report Indicator	2009/2010 Targets and actual Report				2009/2010 Variance	Challenges / Comments	Remedial Plan
			2009/2010 Target	2009/2010 Actual Report	Original Budget	Budget Spent			
Promote Planning		2010/11 IDP Reviewed	May 2010	May 2010	Operational			The Municipality managed to review the IDP and present it before Council	To ensure adherence to the process plan.
		SDF Revised	Jun 2010	Not Achieved	Operational			The municipality has requested assistance from the district hence it was approved. The project is at the procurement.	To engage with the district in order to speed up the process.

9.2. SPATIAL DEVELOPMENT FRAME WORK

The municipality has developed SDF in 2007. The process of review will be carried out once the procurement is finalized with the district.

9.3. LUMS

Currently the municipality has not yet developed Land Use Management Skill and using old ones such as Koster Town Planning Scheme, Rustenburg Town Planning Scheme and Swartruggens Town Planning Scheme. The municipality is awaiting the finalization of Land Use bill by the province; the process of soliciting funding has started for such programme.

9.4. TOWN PLANING AND BUILDING

The municipality has not performed as expected in this regard. The absence of Town Planner and Building Inspector compromise these functions. The municipality has introduced Town planning fees as a way of increasing revenue base and soon the Building inspectorate fees will be reviewed. The Municipality has created a unit that will be able to perform these functions and the DBSA Deployee will assist in developing capacity and systems.

10. CHAPTER EIGHT

10.1. Annual Financial Statement

KGETLENGRIVIER LOCAL MUNICIPALITY ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010			
	Note	2010 R	2009 R
ASSETS			
Current assets			
Inventories	2	1 478 233	1 820 769
Consumer debtors and other receivables	3	13 237 363	15 772 511
Other receivables	4	3 140 546	2 839 951
VAT receivable	6	-	96 768
Investments	9	293 728	243 651
Cash and cash equivalents	7	3 170 535	311 970
Non-current assets			
Property, plant and equipment	8	227 626 225	208 761 859
Receivables	5	13 903	13 903
Investments	9	18 912 171	16 139 602
Total assets		267 872 705	246 000 982
LIABILITIES			
Current liabilities			
Borrowings	10	6 744	5 780
Consumer deposits	11	1 276 586	1 234 502
Other liabilities	12	944 927	601 503
Unspent conditional grants and receipts	13	36 637 836	31 605 462
Trade and other payables	14	14 662 976	12 347 118
Bank overdraft	10	6 605 591	5 628 068
Non-current liabilities			
Borrowings	10	-	6 744
Total liabilities		60 134 660	51 429 178
Net assets		207 738 045	194 571 804
NET ASSETS			
Reserves		-	-
Accumulated surplus / (deficit)		207 738 045	194 571 804
Total net assets		207 738 045	194 571 804

KGETLENGRIVIER LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 R	2009 R
Revenue			
Property rates	15	2 701 562	2 358 492
Service charges	16	22 630 615	20 101 155
Finance Income	17	9 656 073	10 411 236
Government grants and subsidies-operating	27	29 128 086	26 014 796
Government grants and subsidies- capital	27	12 258 308	12 121 351
Rental of facilities and equipment	19	64 747	43 633
Agency fees		2 899 103	-
Fines		3 580 379	171 076
Other Revenue		234 725	840 879
Total revenue		83 153 599	72 062 618
Expenses			
Employee related costs	20	24 333 047	19 465 831
Remuneration of councillors	21	1 655 263	1 632 762
Depreciation and amortisation expense	22	3 141 935	3 119 165
Agency fees		-	2 107 639
Bad debts		19 428 053	16 681 886
Finance costs	23	189 511	135 532
Collection costs		1 194 638	-
Repairs and maintenance		4 598 981	2 484 778
Bulk purchases	24	10 980 603	8 468 669
General expenses	25	16 187 058	19 321 483
Total expenses		81 709 089	73 417 745
Gain / (loss) on sale of assets	26	-	1 472 008
Surplus / (deficit) for the period		1 444 510	116 881

KGETLENGRIVIER LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2010

	Note	Accumulated	Total: Net Assets
		Surplus/(Deficit) R	R
Balance at 30 June 2008			
Changes in accounting policy: GRAP Implementation		212 260 032	212 260 032
Changes in accounting policy: Other			-
Correction of prior period error		(17 805 109)	(17 805 109)
Change in accounting estimate			-
Restated balance			
Surplus / (deficit) for the period		194 454 923	194 454 923
Surplus / (deficit) on revaluation of property, plant and equipment		116 881	116 881
<i>Other items</i>			-
Net gains and losses not recognised in the statement of financial performance			-
Transfers to / from accumulated surplus/(deficit)			-
Balance at 30 June 2009			
		194 571 804	194 571 804
Surplus / (deficit) on revaluation of property, plant and equipment			-
Correction of prior period error		11 721 731	11 721 731
Net gains and losses not recognised in the statement of financial performance			-
Transfers to / from accumulated surplus/(deficit)			-
Surplus / (deficit) for the period		1 444 510	1 444 510
Balance at 30 June 2010		207 738 045	207 738 045

KGETLENGRIVIER LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

CASH FLOW STATEMENT AS AT 30 JUNE 2010

	Note	R	R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		96 333 677	88 825 994
Cash paid to suppliers and employees		(78 860 296)	(107 544 400)
Cash generated from operations	27	17 473 380	(18 718 406)
Finance income		9 656 073	10 411 236
Finance costs		(189 511)	(135 532)
Dividends		-	-
Net cash flows from operating activities		26 939 943	(8 442 702)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of PPE and other assets		(22 230 474)	(7 494 067)
Borrowing costs capitalised		-	-
Proceeds from disposal of PPE and other assets		-	1 472 008
Proceeds from sale of inventory		(2 822 647)	3 254 162
Purchase of foreign currency securities		-	-
Net cash flows from investing activities		(25 053 120)	(2 767 897)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		(5 780)	(708)
Repayment of borrowings		-	-
Repayment of finance lease liability		-	-
Net cash flows from financing activities		(5 780)	(708)
Net increase / (decrease) in net cash and cash equivalents		1 881 042	(11 211 308)
Net cash and cash equivalents at beginning of period		(5 316 098)	5 895 210
Net cash and cash equivalents at end of period	28	(3 435 056)	(5 316 098)

KGETLENGRIVIER LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

1 BASIS OF ACCOUNTING

1.1 BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below. Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

ISSUED BUT NOT YET EFFECTIVE	STANDARD APPLIED
GRAP 18 Segment Reporting	No applicable
GRAP 21 Impairment of non-cash-generating assets	IAS 36
GRAP 23 Revenue from Non-Exchange Transactions	GAMAP 9
GRAP 24 Presentation of Budget Information in Financial	Applied
GRAP 25 Employee Benefits	IAS 19
GRAP 26 Impairment of cash generating assets	IAS 36
GRAP T03 Heritage Assets	Not applicable

1.6 RESERVES

1.6.1 Revaluation Reserve

(If Realised through use)

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/(deficit). On disposal, the net revaluation surplus is transferred to the accumulated surplus/(deficit) while gains or losses on disposal, based on revalued amounts, are credited or charged to the Statement of Financial Performance.

(If Realised on disposal)

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised on the disposal of the property, plant and equipment. On disposal, the net revaluation surplus is transferred to the accumulated surplus/(deficit) while gains or losses on disposal, based on revalued amounts, are credited or charged to the Statement of Financial Performance.

1.6.2 Mark-to-Market Reserve

Gains and losses arising from available-for-sale financial assets are recognised in equity and not the statement of financial performance except for impairment losses and foreign exchange gains and losses until the asset is derecognised. On derecognition the cumulative gains or losses previously recognised in equity shall be transferred to the statement of financial performance as a reclassification adjustment. Gains and losses from interest calculated using the effective interest method, as well as dividends from available-for-sale equity instruments are excluded from these gains and losses.

1.7 PROPERTY, PLANT AND EQUIPMENT

1.7.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the initial estimate of the costs of dismantling and removing the asset and restoring the site on which it is located. Including import duties and non-refundable taxes.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.7.2 SUBSEQUENT MEASUREMENT - REVALUATION MODEL (LAND AND BUILDINGS)

Subsequent to initial recognition, land and buildings are carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses in respect of buildings only.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

1.7.3 SUBSEQUENT MEASUREMENT - COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.7 PROPERTY, PLANT AND EQUIPMENT (cont)

1.7.4 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets . Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Infrastructure	Other
Roads and Paving	Buildings
Pedestrian Malls	Specialist vehicles
Electricity	Other vehicles
Water	Office equipment
Sewerage	Furniture and fittings
Community	Watercraft
Buildings	Bins and containers
Recreational Facilities	Specialised plant and equipment
Security Halls	Other items of plant and equipment
Libraries	Landfill sites
Parks and gardens	Quarries
Other assets	Emergency equipment
Heritage assets	Computer equipment
Buildings	Other
Paintings and artifacts	Other
Finance lease assets	Other
Office equipment	Other
Other assets	

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

Heritage assets are assets that are defined as culturally significant resources and are not depreciated as they are regarded as having an infinite life which are shown at cost. However, if improvements to heritage assets are conducted and registered as sub-assets and the useful life of the improvements can be determined, the depreciation charge of the relevant property, plant and equipment category is used for the depreciation of the sub-asset which was capitalised against the heritage asset.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance. {Impairment loss of a revalued asset is treated as a revaluation decrease}.

1.7.5 DERECOGNITION

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.7.6 COMPENSATION FOR IMPAIRMENT for items of PPE that were impaired, lost or given up shall be included in surplus or deficit when the compensation becomes receivable.

The municipality has taken advantage of the transitional provisions in Directive 4 of February 2008, on initial adoption of the standard of GRAP on PPE GRAP 17, to comply fully with this standard.

1.8 INTANGIBLE ASSETS

1.8.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

1.8.2 SUBSEQUENT MEASUREMENT - COST MODEL

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test. and the useful life is reviewed at each reporting date, and if the useful life has changed from indefinite and definite, it is treated as a change in accounting estimate in Statement of Financial Performance.

1.8.3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software
Licence

Each item of intangible asset is amortised separately.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised prospectively as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

1.8.4 DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.9 INVESTMENT PROPERTY

1.9.1 INITIAL RECOGNITION

Investment property includes property (land or a building, or part of a building, or both land or buildings held (by the owner or lessee under a finance lease) to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

1.9.2 SUBSEQUENT MEASUREMENT - COST MODEL

Investment property is measured using the cost model. Under the cost model, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

1.9.3 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

Property held by a lessee under an operating lease that qualifies as Investment property is always accounted for in fair value mode *The municipality has taken advantage of the transitional provisions in Directive 4, on initial adoption of the standard of GRAP on Investment Property, GRAP 16, to comply fully with this standard..*

1.10 NON-CURRENT ASSETS HELD FOR SALE

1.10.1 INITIAL RECOGNITION

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1.10.2 SUBSEQUENT MEASUREMENT

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.11 INVENTORIES

1.11.1 INITIAL RECOGNITION

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.11 INVENTORIES(cont)

1.11.2.SUBSEQUENT MEASUREMENT

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

Unsold properties are valued at the lower of cost and net realisable value on a specific identification cost basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

In general, the basis of allocating cost to inventory items is the first-in, first-out method OR the weighted average method.

The municipality has taken advantage of the transitional provisions in Directive 4, on initial adoption of the standard of GRAP on Investment Property. GRAP 12, to comply fully with this standard..

1.12 FINANCIAL INSTRUMENTS

1.12.1 INITIAL RECOGNITION

Financial instruments are initially measured at fair value, plus,(in the case of financial instruments not at fair value through profit or loss), transaction costs. The fair value of a financial instrument that is initially recognised is normally the transaction price, unless the fair value is evident from the observable market data. The municipality uses a discounted cash flow model which incorporates entity-specific variables to determine the fair value of financial instruments that are not traded in an active market. Differences may arise between the fair value initially recognised in (which in accordance with IAS 39, is generally the transaction price) and the amount initially determined using the valuation technique. Any such differences are subsequently recognised in profit or loss only to the extent that they relate to a change in the factors (including time) that market participants would consider in setting the price.

1.12.2 SUBSEQUENT MEASUREMENT

1.12.2.1 INVESTMENTS

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

The Entity classifies its financial assets into the following categories:

- held-to-maturity;
- loans and receivables;
- available-for-sale; and
- fair value through profit and loss.

The classification depends on the purpose for which the financial asset is acquired, and is as follows:

- Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturity, where the Entity has the positive intent and ability to hold the investment to maturity. They are subsequently measured at amortised cost, using the effective interest rate method. Any adjustment is recorded in the Statement of Financial Performance in the period in which it arises.
- Loans and receivables are financial assets that are created by providing money, goods or services directly to a debtor. They are subsequently measured at amortised cost, using the effective interest rate method. Any adjustment is recorded in the Statement of Financial Performance in the period in which it arises.
- Available-for-sale financial assets are financial assets that are designated as available for sale, and are subsequently measured at fair value at Statement of Financial Position date, except for investments in equity instruments that do not have quoted market prices in an active market, and whose fair value cannot be reliably measured, which shall be measured at cost. Any adjustment is recorded in the Statement of Changes in Net Assets in the period in which it arises. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. The fair value of financial instruments classified as available-for-sale is their quoted bid price at the Statement of Financial Position date.
- Fair value through profit and loss financial assets include derivative financial instruments used by the Entity to manage its exposure to fluctuations in interest rates attached to certain of its external borrowings interest swap agreements. Any fair value adjustment is recorded in the Statement of Financial Performance in the period in which it arises. To the extent that a derivative instrument has a maturity period of longer than a year, the fair value of these instruments will be reflected as a non-current asset or liability, and is subsequently measured at fair value at Statement of Financial Position date.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discount) through the expected life of the financial asset, or, where appropriate a shorter period.

1.12 FINANCIAL INSTRUMENTS (cont)

1.13.2.2 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current

1.12.2.3 TRADE PAYABLES AND BORROWINGS

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

1.12.2.4 CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

1.12.3 IMPAIRMENT

- An assessment is performed at each Statement of Financial Position date to determine whether objective evidence exists that a financial asset is impaired. The carrying amounts of cash investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments. This reduction in carrying value is recognised in the Statement of Financial Performance.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

1.13 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are recognised when the municipality has a present obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a (a) The municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and

- (b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The municipality has complied with the transitional provisions in Directive 4 , on initial adoption of the standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets, GRAP 19, in order to comply fully with this standard..

1.14 LEASES

1.14.1 MUNICIPALITY AS LESSEE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. The aggregate benefit of incentives of Operating lease are recognised as a reduction of rental expense on a straight-line basis over the term of the relevant lease.

1.14.2 MUNICIPALITY AS LESSOR

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

1.15 REVENUE

Revenue shall be measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates, VAT and other similar allowances.

1.15.1 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges

Flat rate service charges relating to electricity and water which are based on consumption are metered and an estimate of consumption between the latest meter reading and the reporting date shall be recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- The amount of the revenue can be measured reliably.

Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumptions are made monthly when meter readings have not been performed and are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made then recognised in the statement of financial performance in the invoicing period in which meters have been read.

Revenue from the sale of electricity prepaid meter credit is recognised at the point of sale.

In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage and are levied monthly based on the number of refuse containers on each property, regardless of whether or not containers are emptied during the month. Service charges from sewerage and sanitation are based on the size of the property, number of dwelling on each property and connection, using the tariffs approved by Council and are levied monthly.

Sale of goods

Revenue from the sale of goods is recognised when substantially all the risks and rewards of ownership of the goods is passed to the consumer.

Revenue from the sale of erven is recognised when all conditions associated with the deed of sale have been met.

Interest, royalties and dividends

Interest shall be recognised on a time proportionate basis that takes into account the effective yield on the asset;

Royalties are recognised as they are earned on a time basis is recognised on a straight-line basis over the period of the agreement. Royalty revenue that is based on production, sales and other measures is recognised in accordance with the substance of the relevant agreement; and

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

1.15 REVENUE(cont)

Agency Services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified.

The income recognised is in terms of the agency agreement.

The revenue is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Collection charges are recognised when such amounts are incurred.

1.15.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Rates (including collection charges and penalty interest)

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Rebates are respectively granted, to owners of land on which not more than two dwelling units are erected provided that such dwelling units are solely used for residential purposes. Additional relief is granted to needy, aged and/or disabled owners, based on income .

Assessment rates income is recognised once a rates account has been issued to ratepayers. Adjustments or interim rates are recognised once the municipal valuer has valued the change to properties.

Fines

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Public donations and contributions

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Deferred income relating to government grants are recognised on the following bases:

- Capital contributions to property, plant and equipment: Credited on a systematic basis to the Statement of financial Performance based on the estimated useful life of the plant and equipment.
- Income-related grants subsidising expenses: Credited to the Statement of Financial Performance as revenue when the related expense is recognised

Contributed property, plant and equipment is recognised at fair value, when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Other

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

1.15.3 GOVERNMENT GRANTS, TRANSFERS AND DONATIONS

Government Grants can be in the form of grants to acquire or construct fixed assets (capital grants), grants for the furtherance of national and provincial government policy objectives and general grants to subsidise the cost incurred by municipalities rendering services.

Capital grants and general grants for the furtherance of government policy objectives are usually restricted revenue in that stipulations are imposed in their use.

Conditional grants, donations and funding were recognised as revenue in the Statement of Financial Performance to the extent that the Municipality has complied with any criteria, conditions or obligations embodied in the agreement/arrangement. To the extent that the criteria, conditions and obligations have not been met a liability is raised in the Statement of Financial Position. Unconditional grants, donations and funding are recognised as revenue in the Statement of Financial Position at the earlier of the date of receipt or when the amount is receivable.

Contributed assets are recognised at fair value when the risks and rewards associated with such asset transfer to the Municipality.

1.16 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established.

Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

1.17 EMPLOYEE BENEFITS

1.17.1 Short-term employee benefits

The cost of short-term employee benefits, which include salaries and wages, short-term compensated absences, non-monetary benefits such as medical aid and performance plans, are expensed in the Statement of Financial Performance in the financial year during which the payment is made.

Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the municipality expected to pay in exchange for that service that had accumulated at the reporting date.

1.17.2 Termination Benefits

Termination benefits are recognised when actions have been taken to indicate that the municipality is demonstrably committed to either terminate the employment of an employee or group of employees before the normal retirement date; or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

1.17.3 Retirement benefits

The municipality provides retirement benefits for its employees and councillors.

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees and councillors have rendered the employment service or served office entitling them to the contributions.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the municipality pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the statement of financial performance when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Defined benefit plans

Defined benefit plans are post-employment benefit plans other than Defined Contribution plans. The defined benefit plans are valued triennially by means of the projected unit credit method. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year in which they become payable.

Past service costs are recognised immediately where the benefit is vested or are amortised on a straight-line basis over the average period that it will take for such benefits to become vested.

The retirement benefit obligations recognised in the Statement of Financial Position represents the present value of the defined benefit obligation, adjusted for unrecognised actuarial gains and losses, unrecognised service cost and the fair value of plan assets. Where an asset results, such asset is limited to unrecognised actuarial losses, past service costs and the present value of available refunds and reductions in future contributions to the plan.

Post employment medical care benefits

The municipality provides post employment medical care benefits to its employees and their legitimate spouses. The entitlement to post-retirement medical benefits is based on employees remaining in service up to retirement age and the completion of a minimum service period. The expected cost, of these benefits is accrued over the period of employment.

1.18 CONSTRUCTION CONTRACTS AND RECEIVABLES

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

1.19 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.20 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.21 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.22 VALUE ADDED TAX (VAT)

The municipality accounts for Value Added Tax on the payments basis

1.23 KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS

The following areas involve a significant degree of estimation uncertainty:

Useful lives and residual values of property, plant, and equipment
Recoverable amounts of property, plant and equipment
Provision for rehabilitation of landfill sites (discount rate used, number of years, amount of cash flows)
Present value of defined benefit obligation
Fair value of plan assets
Provision for doubtful debts
Impairment of assets
Provision for long-term service award
Other

The following areas involved judgements, apart from those involving estimations disclosed above, that management has made in the process of applying the municipality's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Impairment of assets
Provisions
Other

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	2010	2009
Note	R	R
2 INVENTORIES		
Electrical equipment		
Water	1 188 854	1 096 262
Spare parts – at net realisable value	248 144	658 364
Other	41 234	66 143
	1 478 233	1 820 769

3 CONSUMER AND OTHER RECEIVABLES

Consumer Debtors

Current Fin YR

	Gross Balances	Impaired debtors written off	Net Balance
	R'000	R'000	R'000
Rates	7 154 971		882 095
Electricity	8 854 011	6 272 876	1 087 593
Water	25 584 765	7 766 418	3 148 446
Sewerage	15 816 695	22 436 319	1 943 350
Refuse	10 058 482	13 873 345	1 238 288
VAT	854	8 820 194	854
Other	28 742 137	-	4 936 739
Total	96 211 913	82 974 550	13 237 363

Comparative Fin YR

Rates	6 584 035	5 306 132	1 277 903
Electricity	7 416 776	5 973 371	1 443 405
Water	22 264 015	17 932 821	4 331 194
Sewerage	14 408 072	11 603 590	2 804 482
Refuse	9 145 579	7 365 039	1 780 540
VAT	-	-	-
Other	19 500 531	15 365 544	4 134 987
Total	79 319 008	63 546 497	15 772 511

Other receivables

Other receivables

Rates: Ageing

Current (0 – 30 days)	170 965	(46 371)
31 - 60 Days	120 307	198 738
61 - 90 Days	92 896	104 269
91 - 120 Days	80 593	6 327 399
121 Days +	6 690 209	

Total

7 154 971	6 584 035
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Electricity, Refuse, Water and Sewerage: Ageing

Current (0 – 30 days)	84 182	(686 183)
31 - 60 Days	3 863 445	2 871 364
61 - 90 Days	2 161 007	1 988 632
91 - 120 Days	1 783 975	68 130 565
121 Days +	79 561 373	

Total

87 453 982	72 304 379
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KGETLENGRIVIER LOCAL MUNICIPALITY
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8 PROPERTY, PLANT AND EQUIPMENT

OWNED ASSETS:

**8.1 Reconciliation of Carrying Value
30 June 2010**

Carrying values at beginning of the year
Cost/Revaluation
Accumulated depreciation and impairment losses

Land R	Buildings R	Infrastructure R	Community R	Heritage R	Other Assets R	Total R
5 056 915.52	-	174 852 122.32	-	-	28 852 821.32	208 761 859.17
8 363 773.36	-	180 132 395.42	-	-	29 866 381.28	218 362 550.06
(3 306 857.84)	-	(5 280 273.10)	-	-	(1 013 559.96)	(9 600 690.89)

Acquisitions
Capital under Construction
Depreciation

-	-	24 905 406.33	-	-	691 174.55	25 596 580.88
-	-	-	-	-	131 907.97	131 907.97
-	-	22 098 565.60	-	-	-	22 098 565.60
-	-	(2 806 840.73)	-	-	(559 266.58)	(3 366 107.31)

Carrying value of disposals
Cost/Revaluation
Accumulated depreciation and impairment losses

-	-	-	-	-	-	-
-	-	-	-	-	-	-

Impairment loss/Reversal of impairment loss
Transfers
Other movements*

-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-

Carrying values at the end of the year
Cost/Revaluation
Accumulated depreciation and impairment losses

5 056 915.52	-	194 143 847.19	-	-	28 425 462.71	227 626 225.43
8 363 773.36	-	202 230 961.02	-	-	29 998 289.25	240 593 023.63
(3 306 857.84)	-	(8 087 113.83)	-	-	(1 572 826.54)	(12 966 798.20)

Refer to Appendix B for more detail on property, plant and equipment

**8.1 Reconciliation of Carrying Value
30 June 2009**

Carrying values at beginning of the year
Cost/Revaluation
Accumulated depreciation and impairment losses

Land R	Buildings R	Infrastructure R	Community R	Heritage R	Other Assets R	Total R
8 176 080.97	-	168 458 122.32	-	-	27 752 754.36	204 386 957.66
8 363 773.36	-	173 738 395.42	-	-	28 766 314.32	210 868 483.10
(187 692.39)	-	(5 280 273.10)	-	-	(1 013 559.96)	(6 481 525.44)

Acquisitions
Capital under Construction
Depreciation

3 119 165.45	-	6 394 000.00	-	-	1 100 066.96	7 494 066.96
-	-	-	-	-	-	-
(3 119 165.45)	-	-	-	-	-	(3 119 165.45)

Carrying value of disposals
Cost/Revaluation
Accumulated depreciation and impairment losses

-	-	-	-	-	-	-
-	-	-	-	-	-	-

Impairment loss/Reversal of impairment loss
Transfers
*Other movements

-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-

Carrying values at the end of the year
Cost/Revaluation
Accumulated depreciation and impairment losses

5 053 798.32	-	174 852 122.32	-	-	28 852 821.32	208 761 859.17
8 363 773.36	-	180 132 395.42	-	-	29 866 381.28	218 362 550.06
(3 306 857.84)	-	(5 280 273.10)	-	-	(1 013 559.96)	(9 600 690.89)

Refer to Appendix B for more detail on property, plant and equipment

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	2010	2009
Note	R	R
9 INVESTMENTS		
<u>Held to maturity Investments</u>		
Fixed Deposits	17 546 350	14 834 394
Less: Short term portion	293 728	243 651
	<u>17 252 621</u>	<u>14 590 743</u>
 <u>Available for sale Investment</u>		
Listed Investments	1 659 550	1 548 859
	<u>1 659 550</u>	<u>1 548 859</u>
 10 BORROWINGS		
Annuity Loans	6 744	12 525
	6 744	12 525
Less : Current portion transferred to current liabilities		
Annuity Loans	6 744	5 780
	<u>6 744</u>	<u>5 780</u>
Longterm Borrowings	<u>-</u>	<u>6 744</u>
 11 CONSUMER DEPOSITS		
Water and electricity	1 276 586	1 234 502
Total consumer deposits	<u>1 276 586</u>	<u>1 234 502</u>
No interest is paid on consumer deposits.		
 12 OTHER FINANCIAL LIABILITIES		
12.1 OTHER NON-CURRENT FINANCIAL LIABILITIES		
Other non-current financial liabilities	-	-
 12.2 OTHER CURRENT FINANCIAL LIABILITIES		
Other current financial liabilities	944 927	601 503

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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010		2009	
	R		R	
13 UNSPENT CONDITIONAL GRANTS AND RECEIPTS				
13.1 Unspent Conditional Government Grants-Capital				
MIG	38 031 488		32 604 304	
DBSA	33 393 069		24 000 146	
BPDM	-		-	
DMEA	1 393 662		1 238 305	
PROIG	1 775 962		4 773 731	
Library Grant	980 160		2 348 406	
Anglo-Boer Monument Grant	324 212		69 730	
Kafers Kraal Grant	72 771		72 771	
RDP Grant	40		-	
Other	91 613		101 216	
13.2 Unspent Conditional Government Grants-Operating				
MSG	(1 393 652)		(998 842)	
FMG	(1 393 652)		(998 842)	
Total Unspent Conditional Grants and Receipts	36 637 836		31 605 462	

See Note 18 for reconciliation of grants and receipts. These amounts are invested in ring-fenced investment until utilised.

14 TRADE AND OTHER PAYABLES

Trade creditors	1 861 876	4 544 294
Payments received in advance	270 482	216 991
Retentions	2 776 740	-
Staff leave accrual	1 650 639	1 102 414
VAT liability provision (payment basis)	8 103 239	6 483 419
Other creditors	-	-
Total creditors	14 662 976	12 347 118

15 PROPERTY RATES

Actual		
Residential	1 562 905	2 358 492
Commercial	1 017 251	-
State	58 798	-
Agriculture	62 608	-
	-	-
Total property rates	2 701 562	2 358 492
Property rates - penalties imposed and collection charges	-	-
Total	2 701 562	2 358 492
Valuations		
Residential	12 345 626	9 014
Commercial	4 131 350	
State	545 700	
Agriculture	780 500	
Total Property Valuations	17 803 176	9 014

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2009. Interim valuations are processed on a quarterly basis to take into account changes in individual property values due to alterations.

Various rates apply for the different categories which are applied to property valuations to determine assessment rates. Rebates of 20% are granted to state properties. Rates are levied on a monthly basis on property owners.

Interest on overdue accounts is charged at prime plus 1% and is adjusted as and when the prime rate is changed by the reserve bank.

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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010		2009	
	R		R	
Note				
16 SERVICE CHARGES				
Sale of electricity	13 760 510		11 477 766	
Sale of water	5 348 212		5 208 195	
Refuse removal	1 404 602			
Sewerage and sanitation charges	2 117 290		3 415 193	
Total Service Charges	22 630 615		20 101 155	
17 FINANCE INCOME				
Cash and cash equivalent	774 330		1 229 217	
Outstanding consumer debtors	8 881 743		9 182 019	
Discounting	-		-	
Total interest	9 656 073		10 411 236	
18 GOVERNMENT GRANTS AND SUBSIDIES				
Operating Grants	29 128 086	26 014 796		
Equitable share	25 131 405	19 866 144		
FMG Grant	2 750 000	1 500 000		
MSIG Grant	1 129 810	4 648 652		
LG Seta	116 871			
Capital Grants	12 258 308	12 121 351		
MIG	2 547 569	6 394 000		
DBSA	-	1 000 000		
BPDM	194 643	986 002		
DMEA	2 997 769	226 269		
PROIG	6 368 246	3 284 810		
Library Grant	45 518	230 270		
Anglo-Boer Monument Grant	-	-		
KKG Erven	94 960	-		
RDP Grant	9 603	-		
Total Government Grant and Subsidies	41 386 394	38 136 147		
18.1 Equitable Share				
18.2 MIG				
Balance unspent at the beginning of the year	(24 000 146)	(24 000 146)		
Current year receipts	(11 959 000)	(6 394 000)		
Conditions met-transferred to revenue	2 547 569	6 394 000		
Conditions still to be met-transferred to liabilities	(33 411 577)	(24 000 146)		
18.3 DBSA				
Balance unspent at the beginning of the year	-	-		
Current year receipts	-	(1 000 000)		
Conditions met-transferred to revenue	-	1 000 000		
Conditions still to be met-transferred to liabilities	-	-		
18.4 BPDM				
Balance unspent at the beginning of the year	(1 238 305)	(869 307)		
Current year receipts	(350 000)	(1 355 000)		
Conditions met-transferred to revenue	194 643	986 002		
Conditions still to be met-transferred to liabilities	(1 393 662)	(1 238 305)		
18.5 MSIG				
Balance unspent at the beginning of the year	998 842	(1 129 810)		
Current year receipts	(735 000)	(2 520 000)		
Conditions met-transferred to revenue	1 129 810	4 648 652		
Conditions still to be met-transferred to liabilities	1 393 652	998 842		
18.6 FMG				
Balance unspent at the beginning of the year	-	-		
Current year receipts	(2 750 000)	(1 500 000)		
Conditions met-transferred to revenue	2 750 000	1 500 000		
Conditions still to be met-transferred to liabilities	-	-		

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18 GOVERNMENT GRANTS AND SUBSIDIES(Continued)

	2010	2009
Note	R	R
18.7 DME Grant		
Balance unspent at the beginning of the year	(4 773 731)	-
Current year receipts	-	(5 000 000)
Conditions met-transferred to revenue	2 997 769	226 269
Conditions still to be met-transferred to liabilities	(1 775 962)	(4 773 731)
18.8 Provincial Grant (PROIG)		
Balance unspent at the beginning of the year	(2 348 406)	(633 216)
Current year receipts	(5 000 000)	(5 000 000)
Conditions met-transferred to revenue	6 368 246	3 284 810
Conditions still to be met-transferred to liabilities	(980 160)	(2 348 406)
18.9 Library Grant		
Balance unspent at the beginning of the year	(69 730)	-
Current year receipts	(300 000)	(300 000)
Conditions met-transferred to revenue	45 518	230 270
Conditions still to be met-transferred to liabilities	(324 212)	(69 730)
18.10 Anglo-Boer War Monument Grant		
Balance unspent at the beginning of the year	(72 771)	(72 771)
Current year receipts	-	-
Conditions met-transferred to revenue	-	-
Conditions still to be met-transferred to liabilities	(72 771)	(72 771)
18.11 Kaffers Kraal Grant		
Balance unspent at the beginning of the year	-	-
Current year receipts	(95 000)	-
Conditions met-transferred to revenue	94 960	-
Conditions still to be met-transferred to liabilities	(40)	-
18.12 RDP Grant		
Balance unspent at the beginning of the year	(101 216)	(101 216)
Current year receipts	-	-
Conditions met-transferred to revenue	9 603	-
Conditions still to be met-transferred to liabilities	(91 613)	(101 216)

Based on the allocations set out in the Division of Revenue Act), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

19 RENTAL OF FACILITIES AND EQUIPMENT

Rental of facilities	64 747	43 633
Total rentals	64 747	43 633

20 EMPLOYEE RELATED COSTS

Employee related cost - Salaries and wages	16 239 306	17 177 155
Employee related cost - Social contributions	3 963 681	2 033 197
Travel, motor car, accommodation & other allowances	1 998 781	255 479
Housing benefits and allowances	123 362	-
Overtime benefits	25 172	-
Leave provision	1 982 745	-
Long-service awards	-	-
Other employee related costs	-	-
Total Employee Related Costs	24 333 047	19 465 831

There were no advances to employees

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20 EMPLOYEE RELATED COSTS(cont)

Remuneration of the Municipal Manager

Annual Remuneration			
Performance- and other bonuses			
Travel, motor car, accommodation, subsistence and other allowances			
Contributions to UIF, Medical and Pension Funds			
Total			

		2010	2009
	Note	R	R
		515 157	449 864
		-	-
		262 369	72 480
		1 497	1 262
		779 023	523 606

Remuneration of the Chief Finance Officer

Annual Remuneration			
Performance- and other bonuses			
Travel, motor car, accommodation, subsistence and other allowances			
Contributions to UIF, Medical and Pension Funds			
Total			

		243 378	279 000
		-	-
		51 262	161 000
		374	1 539
		295 014	441 539

Remuneration of Individual Executive Directors

2010

Annual Remuneration			
Performance- and other bonuses			
Travel, motor car, accommodation, subsistence and other allowances			
Contributions to UIF, Medical and Pension Funds			
Total			

		86 409	398 560	369 949
		-	-	-
		32 808	100 944	78 648
		374	-	-
		119 591	499 504	448 597

2009

Annual Remuneration			
Performance- and other bonuses			
Travel, motor car, accommodation, subsistence and other allowances			
Contributions to UIF, Medical and Pension Funds			
Total			

		176 736	100 500	319 500
		14 728	-	-
		230 988	9 500	146 174
		24 281	374	1 539
		446 733	110 374	467 213

No performance bonuses were paid out in terms of Section 57 of the Municipal Systems Act.

21 REMUNERATION OF COUNCILLORS

Mayor
Councillors

Total Councillors' Remuneration

	404 507	501 671
	1 250 756	1 131 091
	1 655 263	1 632 762

In-kind Benefits

The Mayor is full time and is provided with an office and secretarial support at the cost of Council.

22 DEPRECIATION AND AMORTISATION EXPENSE

Property, plant and equipment

Total Depreciation and Amortisation

	3 141 935	3 119 165
	3 141 935	3 119 165

23 FINANCE COSTS

Bank overdrafts

Total Finance Costs

	189 511	135 532
	189 511	135 532

24 BULK PURCHASES

Electricity
Water

Total Bulk Purchases

	10 328 764	8 237 269
	651 839	231 400
	10 980 603	8 468 669

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25 GENERAL EXPENSES

Included in general expenses are the following:-

Note	2010	2009
	R	R
ADVERTISEMENTS, PRINTING &		
AUDIT FEES	729 194	436 928
CHEMICALS	570 754	907 068
COMPUTER SUPPORT - CONTRACT	503 088	519 162
ENTERTAINMENT COSTS	62 254	41 596
FUEL & OIL	251 633	122 365
INSURANCE	1 413 467	1 093 212
LEGAL FEES	279 248	298 771
MEMBERSHIP FEES	792 954	83 341
PHOTO COPIER MAINTENANCE CO	139 256	110 703
PLANT AND EQUIPMENTS	222 763	165 946
PROFESSIONAL FEES	-	1 012 136
RENT OF EQUIPMENT	3 233 803	4 042 638
REVENUE ENHANCEMENT: METER	1 018 603	187 486
TELEPHONE & FAX	-	1 765 212
TRAINING	469 724	680 606
TRAVELLING AND ACCOMODATION	193 567	193 359
VALUATION CERTIFICATE	398 620	586 409
OTHER	246 431	520 141
Licence fees - computers	1 880 197	3 626 779
	3 781 503	2 927 624
	16 187 058	19 321 483

26 GAIN / (LOSS) ON DISPOSAL OF ASSETS

Property, plant and equipment	-	1 472 008
Intangible assets	-	-
Investment property	-	-
Other financial assets	-	-
Total Gain / (Loss) on Disposal of Assets	-	1 472 008

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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010		2009	
	R		R	
27 CASH GENERATED BY OPERATIONS				
Surplus/(deficit) for the year	1 444 510		116 881	
Adjustment for:-				
Non-cash items:	-		-	
(Gain) / loss on sale of assets	-		(1 472 008)	
Contribution to provisions - non-current	-		-	
Contribution to provisions - current	-		-	
Depreciation and amortisation	3 141 935		3 119 165	
Fair value adjustments	-		-	
Impairment loss / (reversal of impairment loss)	-		-	
Cash items				
Finance costs	189 511		135 532	
Finance Income	(9 656 073)		(10 411 236)	
Dividends received	-		-	
Operating surplus before working capital changes:	(4 880 117)		(8 511 666)	
(Increase)/decrease in inventories	342 536		146 462	
(Increase)/decrease in trade receivables	(17 193 501)		(23 802 739)	
(Increase)/decrease in VAT receivable	96 768		(96 768)	
Increase/(decrease) in conditional grants and receipts	31 526 212		5 996 635	
Increase/(decrease) in trade payables	2 659 282		(1 101 097)	
Increase/(decrease) in consumer deposits	42 084		139 099	
Other asset				
Other liability				
Cash generated by/(utilised in) operations	17 473 380		(18 718 406)	

28 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following:

Bank balances and cash	3 170 535	311 970
Bank overdrafts	(6 605 591)	(5 628 068)
Net cash and cash equivalents (net of bank overdrafts)	(3 435 056)	(5 316 098)

29 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE
29 DISALLOWED

29.1 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure

Opening balance -
Fruitless and wasteful expenditure current year
Condoned or written off by Council

20 207

Fruitless and wasteful expenditure awaiting condonement

20 207

Incident	Disciplinary steps/criminal proceedings
SARS summoned the Municipality to account for an unidentified deposit including interest and penalties amounting to R20,207.27	

KGETLENGRIVIER LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

**ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE
30 MANAGEMENT ACT**

	Note	2010	2009
		R	R
30.1 Contributions to organised local government			
Opening balance		-	-
Council subscriptions		107 278	108 027
Amount paid - current		(107 278)	(108 027)
Amount paid - previous years		-	-
Balance unpaid (Included in payables)		-	-
30.2 Audit fees			
Opening balance		774 678	567 219
Current year audit fee		212 864	774 678
Amount paid - current year		(570 754)	(567 219)
Amount paid - previous years		-	-
Balance unpaid (Included in payables)		416 788	774 678

30.3 VAT

VAT input receivables and VAT output payables are shown in note 9. All VAT returns have been submitted by the due date throughout the year.

5 611 788	6 483 419
-----------	-----------

30.4 PAYE and UIF

Opening balance	-	-
Current year payroll deductions	2 285 117	1 797 788
Amount paid - current year	(2 285 117)	(1 797 788)
Amount paid - previous years	-	-
Balance unpaid (Included in payables)	-	-

30.5 Pension and Medical Aid Deductions

Opening balance	-	-
Current year payroll deductions and Council Contributions	5 933 166	5 005 823
Amount paid - current year	(5 933 166)	(5 005 823)
Amount paid - previous years	-	-
Balance unpaid (Included in payables)	-	0

30.6 Councillor's arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at: -

Curr Fin Yr	Total	Outstanding less than 90 days R'000	Outstanding more than 90 days R'000
Councillor W Moleko	862		862
Councillor T G Naledi	4 000		4 000
Councillor J Mkhabela	3 202		3 202
Councillor J D Mkhabela	19 066		19 066
Total Councillor Arrear Consumer Accounts	27 130	-	27 130

During the year the following Councillors had arrear accounts outstanding for more than 90 days.

31 Deviations from Supply Chain Policy

Refer to Appendix F

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KGETLENGRIVIER LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

APPENDIX A
SCHEDULE OF EXTERNAL LOANS

External Loans	Loan No. Redeemable	Balance at 30 June 2009	Interest paid during the period	Received during the period	Redeemed or written off during the period	Balance at 30 June 2010
		R	R	R	R	R
LONG TERM LOANS						
Lening Kosterdam@16.05%		12 525			5 780	6 744
Stock Loan@ %						-
		12 525			5 780	6 744
ANNUITY LOAN						
ANNUITY LOAN @ %						-
		-			-	-
Total External Loans		12 525	-	-	5 780	6 744

KGETLENGRIVIER LOCAL MUNICIPALITY
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APPENDIX B
ANALYSIS OF PROPERTY, PLANT & EQUIPMENT

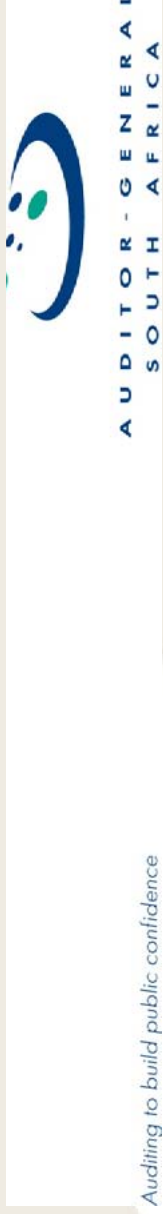
	HISTORICAL COST					ACCUMULATED DEPRECIATION						
	Opening Balance	Additions/ Transfers	Under Construction	Disposals	Closing Balance	Opening Balance	Additions/ Transfers	Disposals	Impairment Losses	Closing Balance	Carrying Value	Budget Additions
	R	R	R	R	R	R	R	R		R	R	R
INFRASTRUCTURE	47 694 815	7 470 863	19 656 336	-	74 822 014	-7 898 201	-2 806 841	-		-10 705 042	64 116 972	-
Roads, pavements, bridges & stormwater	9 517 015	25 734			9 542 749	-1 339 810				-1 339 810	8 202 938	
Water reservoirs & reticulation	16 429 823	7 282 198	16 164 717		39 876 738	-2 936 976	-1 225 528			-4 162 504	35 714 234	
Car parks, bus terminals & taxi ranks					-					-	-	
Electricity reticulation	13 711 765	93 978	3 491 619		17 297 362	-2 784 310	-685 719			-3 470 028	13 827 333	
Sewerage purification & reticulation	8 036 213	68 952			8 105 166	-837 106	-895 594			-1 732 700	6 372 466	
Housing					-					-	-	
Street lighting					-					-	-	
Refuse sites					-					-	-	
Other (town planning & development)					-					-	-	
COMMUNITY ASSETS	1 751 103	-	2 442 230	-	4 193 333	-195 273	-52 364	-		-247 637	3 945 696	-
Establishment of parks & gardens					-					-	-	
Sports fields	1 570 930				1 570 930	-161 456	-52 364			-213 821	1 357 109	
Community halls	180 173				180 173	-33 816				-33 816	146 357	
Libraries					-					-	-	
Recreational facilities					-					-	-	
Clinics					-					-	-	
Museums & art galleries					-					-	-	
Other (fire services & cemeteries)			2 442 230		2 442 230					-	2 442 230	

KGETLENGRIVIER LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Appendix F
DEVIATIONS FROM SUPPLY CHAIN

	Deviation			
	Date	Service Provider	Amount	Reason for deviation
1	21-May-10	Akwaaba Lodge	17 700.00	Closest Conference centre urgently required to complete SDBIP
2	21-May-10	Badiri Ba Setso	194 883.00	Development of Draft SDBIP and performance plans for 2010 - 11 were required for the finalisation of the IDP and Budget to ensure alignment and compliance
3	03-Jun-10	Kori & Associates	138 966.00	Development of organisational structures and delegation of powers policy to enable management to implement the budget and execution of daily functions
4	15-Jun-10	C. Sonke Investments	68 000.00	No capacity in the Municipality to evaluate insurance tenders. Appointment was supposed to be before 01 July 2010 to ensure that all municipal assets are insured against losses
5	24-Jun-10	WW Engineering	53 421.54	Water shortage in Koster and Swartruggens due to malfunctioning pum station - Repairs were done under emergency

10.2. AUDIT REPORT



REPORT OF THE AUDITOR-GENERAL TO THE NORTH WEST PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE KGETLENGRIVIER LOCAL MUNICIPALITY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. We were engaged to audit the accompanying financial statements of Kgetlengrivier Local Municipality, which comprise the statement of financial position as at 30 June 2010, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages [XX] to [XX].

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and in the manner required by the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2009 (Act No. 12 of 2009) (DoRA). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor-general's responsibility

3. As required by section 188 of the Constitution of South Africa, 1996 (Act No. 108 of 1996) and section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with the International Standards on Auditing and *General notice 1111 of 2010* issued in *Government Gazette 33872 of 15 December 2010*. Because of the matters described in the Basis for disclaimer of opinion paragraphs, however, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion

Accumulated Surplus

4. I was unable to determine the existence, completeness, valuation, and rights and obligation of Accumulated Surplus of R207 738 045 as stated in the statement of financial position and in the statement of changes in net assets because sufficient appropriate audit evidence to support the following differences and adjustments are not available:
- Difference of R45 980 831 between the opening balance and the prior year closing balance.
 - Prior period error adjustment of R11 721 731.
 - Changes in accounting policy of R17 805 109.
 - Journal adjustments of R200 771 967.

Cash flow statement

6. I was unable to obtain sufficient appropriate audit evidence for the increase in Conditional Grant and Receipts of R31 526 212 which was included as part of cash generated by operations, as disclosed in note 27 to the financial statements. The municipality's records did not permit the application of alternative procedures. Consequently I was unable to satisfy myself as to the accuracy, completeness and presentation and disclosure of the cash flow statement.

Revenue

7. The municipality did not perform a property rates reconciliation between the valuation roll, the valuation is loaded on the accounting system and property rates are billed. Consequently I was unable to determine the completeness and accuracy of property rates of R2 701 562 (2009: R2 358 492) as disclosed in the statement of financial position. I was unable to perform alternative procedures due to the unavailability of core data.
8. I was unable to determine the completeness, occurrence, accuracy and classification of Government Grants and Subsidies – Capital, amounting to R12 258 308 due to the availability of supporting documentation for transactions amounting to R2 177 101.
9. I was unable to obtain sufficient appropriate audit evidence for an adjustment of R6 292 421 made to the prior year Revenue.
10. I was unable to obtain sufficient appropriate audit evidence for agency fees of R2 899 103 derived from the administration of licences and permits.

Expenditure

11. I was unable to determine the completeness, occurrence, accuracy and classification of Expenditure of R81 709 089 in the statement of financial performance, due to the unavailability of sufficient appropriate audit evidence for:
- transactions amounting to R5 325 758
 - employee cost of R3 234 513
 - a R815 382 difference between the general ledger and the financial statements relating to General Expenses
 - a R3 234 513.54 difference between the general ledger and the financial statements relating to employee

cost

- The total employee cost amount as per the general ledger accounts differs with the amount disclosed in the annual financial statements by R3 234 513.54
- depreciations charges of R3 141 935 due to the scope limitation reported under Property Plant and Equipment
- for an adjustment of R6 065 211 made to the prior year General expenses
- for an adjustment of R1 138 231 made to the prior year Bulk purchases
- for adjustment of R454 960 made to the prior year Remuneration of councillors
- The Pay As You Earn deduction was incorrectly calculated which resulted in an overstatement of salary paid

Property, plant and equipment

12. I was unable to verify the completeness, existence, valuation, rights and obligations of Property, Plant and Equipment of R227 626 225 as disclosed in the statement of financial position, due to the following.

Furthermore, it was impracticable to quantify the resulting misstatement on the accumulated depreciation and depreciation due to the extended of the below mentioned scope limitations. I was unable to perform alternative procedure to the limited information available from the asset register.

- unavailability of sufficient and appropriate audit evidence to support capital projects under construction of R22 098 565.60 that was capitalised as infrastructure assets
- unavailability of sufficient and appropriate audit evidence to support capital expenditure of R2 177 010
- unavailability of sufficient and appropriate audit evidence to support adjustments of R7 593 993.98 made to the current year opening balance of infrastructure assets.
- unavailability of title deeds for land and buildings of R5 056 915.52.
- unavailability of sufficient and appropriate audit evidence to support for additions to property, plant and equipment of R1 082 872.
- for an adjustment of R7 593 993.98 made to the prior year Infrastructure assets.
- additions of R950 964 was not capitalised.
- the asset register did not contain sufficient detail, like location detail, to verify the existence of assets. Furthermore, all assets did not contain bar-codes therefore it was not possible to trace assets from the floor to the register.
- according to the accounting policy the municipality used the revaluation model to measure land and building. No independent assessment was done and to determine the fair value of land and building. Furthermore the value of land in the asset register differs to the value of land as per the valuation roll which is an indication that the revaluation model was not applied.
- unavailability of sufficient and appropriate audit evidence to support difference of R135 488 501 **between the asset register and the financial statements.**
- unavailability of sufficient and appropriate audit evidence to support difference of R224 849 485 between the general ledger and the financial statements.
- unavailability of sufficient and appropriate audit evidence to support difference of R3 319 434 between the accumulated depreciations charges as per asset register and the financial statement.
- the municipality did not comply Standard of Generally Recognised Accounting Practice, GRAP 17, *Property, plant and equipment* which requires that

- i. each part of an item of property, plant and equipment with a significant cost relative to the item be depreciated separately,
- ii. the residual value and the useful life of an asset shall be reviewed at least at each reporting date because assets with no value, which is still in use was not re-assed
- iii. whether there is any indication that assets may be impaired

Government Grants and Subsidies

13. I was unable to obtain sufficient appropriate audit evidence for the difference of R13 432 383 between the opening balance and prior year closing balance of the unspent conditional grants as disclosed in the statement of financial position and note 13 to the financial statements. The municipality's records did not permit the application of alternative audit procedures. Consequently, I was unable to determine the existence, completeness, valuation, and rights and obligation of the opening balance of unspent conditional grants of R31 605 462 as disclosed.
14. I was unable to obtain sufficient appropriate audit evidence for conditional grants of R18 966 146 included in the statement of financial position. No business plans for conditional grants were provided and the municipality's records did not permit the application of alternative audit procedures. Consequently, I was unable to determine the existence, completeness, valuation, rights and obligations of conditional grants of R18 966 146 included in Unspent conditional grants and receipts of R36 637 836 in the statement of financial position and disclosed in note 13 to the financial statements.

Cash and cash equivalents

15. I was unable to determine the existence, completeness, valuation, rights and obligation relating cash and cash equivalents of R3 170 535 as disclosed in the statement of financial position, due to the below mentioned limitations. The municipality's records did not permit the application of alternative audit procedures.
 - I was unable to obtain sufficient appropriate audit evidence for theoretical bank overdraft balance of R6 605 591 because there was a difference of R1 862 948 between the list of outstanding cheques at year end and the bank reconciliation.
 - There was an unexplained difference of R4 588 424 between the trial balance and the amount disclosed in the statement of financial statements.

Provision

16. No provision was made for the environmental rehabilitation costs of restoring the municipality's landfill sites. A provision should be made for the entity's present obligation incurred as a consequence of its past use of the landfill sites in accordance with the Standard of Generally Recognised Accounting Practice, GRAP 19, *Provisions, contingent liabilities and contingent assets*. GRAP 19 requires that the estimated outflow of resources to settle the obligation to restore the landfill sites, which is required at the end of the useful life of the landfill site, should be disclosed therefore I could not confirm the completeness of provisions. It was not possible to determine the extent of the provision due to the complexity and nature of such calculations.
17. Leave provision was overstated with R1 488 575.10 due to vacation leave taken not captured on the Phoenix system therefore overstating the available leave credits at year-end.
18. I was unable to obtain sufficient and appropriate audit evidence to satisfy myself to the valuation, existence

rights and obligation and completeness for provision for doubtful debts of R13 237 362 included in the annual financial statement disclosed in note 3 . The municipality's records did not permit the application of alternative audit procedures.

19. The municipality did not disclose the post employment medical benefit as required by IAS 19 Paragraph 83 Post-employment benefit obligations shall be measured on a basis that reflects an estimated future salary increases, the benefits set out in the terms of the plan at the end of the reporting period; and estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, Furthermore the municipality did not comply with the accounting policy to make such provision. Therefore I did not obtain sufficient appropriate audit evidence to determine valuation, existence rights and obligation and completeness of post medical retirement benefit.

Commitments

20. The municipality did not disclose contracts amounting to R4 351 641 as commitments as required by South African Statement of Generally Accepted Accounting Practice, 1 Presentation of financial statement. Furthermore it was not possible to determine if all commitments were recorded due to the absence of a contract management. No satisfactory alternative procedures could be performed to obtain reasonable assurance that all commitments were properly recorded. Therefore I did not obtain sufficient appropriate audit evidence to determine valuation, existence rights and obligation and completeness of Commitments as none was disclosed.

Contingent liabilities

21. A contingent liability should be made for the entity's present obligation incurred as a consequence of its pending legal disputes in accordance with the Standard of Generally Recognised Accounting Practice, GRAP 19, *Provisions, contingent liabilities and contingent assets*. The municipality's attorneys have estimated that that disputes between Kgetlengrivier Local Municipality and other parties with possible exposure of R1 695 000 were identified. Therefore I did not obtain sufficient appropriate audit evidence to determine valuation, existence rights and obligation and completeness of Contingent Liability as none was disclosed.

Consumer debtors

22. I did not obtain sufficient appropriate audit evidence to determine valuation, existence rights and obligation and completeness of Consumer Debtors of R1 276 586, as disclosed in the Statement of Financial Position due to the following:

- there was an unexplained difference of R3 069 885 between the general ledger and the amount disclosed in the annual financial statements.
- there was an unexplained difference of R10 380 723 between the interest on outstanding consumer debtors accounts and the amount disclosed in the annual financial statements.
- I was unable to obtain sufficient appropriate audit evidence for an adjustment of R5 335 979 made to the prior year Consumer debtors.

Other receivable

23. I was unable to obtain sufficient appropriate audit evidence for Other Receivables of R3 140 546 as disclosed in the statement of financial position. The municipality's records did not permit the application of alternative audit procedures. Consequently, I was unable to determine the existence, completeness, valuation, rights and obligations of Other Receivables as disclosed.

Inventory

24. I was unable to obtain sufficient and appropriate audit evidence for inventory of R1 478 233 included in the Statement of Financial Position to satisfy myself to the existence, rights and obligations, completeness, and valuation and allocation of Inventory due to the following qualification. The municipality's records did not permit the application of alternative audit procedures.

- damaged stock amounting to R1 478 232 was not disposed off by the municipality.
- not all stock was counted and accounted for as stock items observed during a stock count did not agree to the stock records in support of the above mentioned balance.
- sufficient appropriate audit evidence to support journals adjustments made relating to maintenance of electricity, fuel and oil, stock general and maintenance of sewer costs of R1 676 959.

Irregular expenditure

25. Section 38 (1) (a)(iii) of the MFMA requires that the accounting authority to implement and maintain an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost-effective. The municipality's records did not permit the application of alternative audit procedure I was unable to obtain sufficient appropriate audit evidence to verify whether supply chain management regulations were complied with for expenditure of R25 771 024 due to management not being able to submit the requested supporting documentation or lack of compliance with laws and regulations regarding supply chain management, due to the following qualification. I was unable to determine the accuracy, valuation, completeness, compliance and classification of irregular expenditure due to:

- Payments were made without quotation
- No order form attached to the invoice amounting
- No requisition forms attached to invoices
- No tender documents were provided
- Payments made to supplier without contract

26. I was unable to obtain sufficient and appropriate audit evidence to satisfy myself as to the completeness, disclosure for unauthorised expenditure of R1 194 638. An amount of R1 194 638 was not disclosed as unauthorised expenditure due to overspending of the budget. This amount was for collection costs and it was not included in the budget of the municipality.

Investment

27. I was unable to obtain sufficient appropriate audit evidence for the exclusion of Investments amounting to R1 856 374.99, as confirmed by financial institutions, which was not accounted for in the general ledger. Furthermore, Investments of R17 827 407, with an investment period shorter than 12 months was incorrectly disclosed under noncurrent assets. Therefore, I was unable to determine the valuation, completeness and classification of Investments.

Other liabilities

28. I was unable to obtain sufficient appropriate audit evidence for Other Liabilities of R944 927. Consequently, I did not obtain sufficient appropriate audit evidence to verify the rights and obligations, valuation and allocation and the completeness of other liabilities as disclosed in note 12 to the financial statements. The municipality's records did not permit the performance of alternative audit procedures.

Statutory Funds

29. I was unable to obtain sufficient appropriate audit evidence for Grant Reserve of R36 948 219, housing development fund of R1 932 278 and Capital Replacement Reserve of R16 173 297 which were written-off in the current year to eliminate statutory funds. The amounts written off were also not included in the statement of changes in net assets as required. The municipality's records did not permit the application of alternative audit procedures. Consequently, I was unable to determine the existence, completeness, valuation, rights and obligations of statutory funds of R55 053 794 which were not disclosed in statement of changes in net assets as a written-off amount.

Disclaimer opinion

30. Because of the significance of the matters described in the basis for disclaimer opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on these financial statements.

Additional matters

31. I draw attention to the matters below. My opinion is not modified in respect of these matters:

Unaudited supplementary schedules

32. The supplementary information set out on pages [XX] to [XX] does not form part of the financial statements and is presented as additional information. I have not audited these annexures and accordingly, I do not express an opinion thereon.

33. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

34. In accordance with the PAA and in terms of *General Notice 1111 of 2010*, issued in *Government Gazette 33872 of 15 December 2010*, I include below my findings on the annual performance report as set out on pages [XX] to [XX] and material non-compliance with laws and regulations applicable to the department.

Predetermined objectives

Usefulness of information

35. The following criteria were used to assess the usefulness of the planned and reported performance:

- Consistency: Has the municipality reported on its performance with regard to its objectives, indicators and targets in its approved integrated development plan, i.e. are the objectives, indicators and targets

consistent between planning and reporting documents?

- Relevance: Is there a clear and logical link between the objectives, outcomes, outputs, indicators and performance targets?
- Measurability: Are objectives made measurable by means of indicators and targets? Are indicators well defined and verifiable, and are targets specific, measurable, and time bound?

The following audit findings relate to the above criteria:

Reported information not consistent with planned objectives, indicators and targets

36. Kgetlengrivier Local Municipality has not reported on its performance against predetermined targets which is consistent with the approved integrated development plan.

Planned and reported performance targets not specific/measurable/time-bound

37. For the selected objectives, 24% of the planned and reported targets were not:
- Specific in clearly identifying the nature and the required level of performance;
 - Measurable in identifying the required performance;
 - Targets were not time-bound.

Reliability of reported performance information

38. The following criteria were used to assess the usefulness of the planned and reported performance:

- Validity: Has the actual reported performance occurred and does it pertain to the entity, i.e. can the reported performance information be traced back to the source data or documentation?
- Accuracy: Have the amounts, numbers and other data relating to reported actual performance been recorded and reported appropriately?
- Completeness: Have all actual results and events that should have been recorded been included in the reported performance information?

The following audit findings relate to the above criteria:

Reported targets not reliable as no supporting source information was provided

39. For the selected objectives and 100% of the reported targets the reliability could not be established as sufficient appropriate audit evidence and relevant source documentation could not be provided for audit purposes.

Compliance with laws and regulations

Strategic planning and performance management

40. The municipality Service Delivery and Budget Implementation Plan was not approved within 28 days of the budget approval date as prescribed by section 53 of the MFMA.
41. The Mayor of a municipality did not, within 30 days of the end of each quarter, submit a report to the council on the implementation of the budget and the financial state of affairs of the municipality as required by section 52 (d) of the MFMA.
42. The municipality did not indicate the performance of each external service provider of the municipality during the financial year on the annual performance report and there were no comparisons between performance in the current year with targets set for the current and previous financial years disclosed in the annual performance report as required by section 46 (1) (a) (b) of the Municipal Systems Act (Act No. 32 of 2000)

Budgets

43. Expenditure was not incurred in accordance with the approved budget of the municipality and exceeded the limits of the amounts appropriated for the different votes in the approved budget of the municipality as required by section 15 of the MFMA.

Annual financial statements, performance and annual report

44. The municipality did not prepare financial statements in accordance with section 121(1) of the MFMA which fairly presents the state of affairs of the municipality, as corrections of material misstatements were made to the annual financial statements submitted for audit on financial year ended on 30 June 2010.
45. The municipality did not prepare the Annual Financial statements and within two months after year end of the financial year to which those statements relate, submits the statements to the Auditor General for auditing as required by section 126(1) of municipal finance and management act.
46. The integrated development plan of Kgetlengrivier Local Municipality did not include the key performance indicators and performance targets determined in terms of its performance management system, as required by sections 26(i) and 41(1) (b) of the MSA and regulation 12 of the Municipal Planning and Performance Management Regulations, 2001.
47. Kgetlengrivier Local Municipality did not develop and implement mechanisms, systems and processes for auditing the results of performance measurement as part of its internal audit processes, as required in terms of section 45 of the MSA.
48. The accounting officer did not by 25 January of each year assess the performance of the Kgetlengrivier Local municipality, as required by section 72 of the MFMA.
49. Kgetlengrivier Local Municipality did not appoint and budget for a performance audit committee, nor was another audit committee utilised as the performance audit committee, as required by regulation 14(2) of the Municipal Planning and Performance Management Regulations, 2001.

Audit committee

50. The municipality did not perform a risk assessment during the year, contrary to Treasury regulations Section 27.2.1.

Internal audit

51. The internal audit unit of the municipality did not fulfil its responsibilities as required by section 165 of the MFMA.

Procurement and contract management

52. Expenditure was not incurred in accordance with the requirements of the supply chain management policy of the municipality, which resulted in irregular expenditure as per the definition of “irregular expenditure” in section 1 of the MFMA.
53. Proper record keeping and management was not in place resulting in requested information not being available or supplied with a significant delay, as required by section 62(1) (b).
54. The municipality did not advertise to invite prospective providers of goods or services to apply for evaluation and listing as accredited prospective providers annually as required by the Municipal Supply Chain Management Regulations S14 (a) (ii).
55. Contrary to Section 15(2) (b) of the Public Audit Act, No ID numbers of councillor’s family members and ID numbers of family members of employees in Supply Chain and Procurement section could not be provided.

Expenditure management

56. Expenditure was not paid within the required 30 days from the receipt of an invoice, or such a period as prescribed in section 65(2)(e) of the MFMA.
57. Unauthorised, irregular and fruitless and wasteful expenditure was not managed as prescribed in section 32 of the MFMA.
58. Invoices were identified where VAT registration number of the municipality does not appear on the invoice. This is in contravention to the Section 20(4) (c) of the VAT Act no 89 of 1991.

Revenue management

59. The municipality did not update their valuation roll every four years as required by the section 32(1) (a) and 32(2) (b) of the Municipal Property Rates Act no. 6 of 2004.
60. The municipality does not have a property register as required by the section 23 (1) of the Municipal Property Rates Act no. 6 of 2004.
61. The municipality did not apply for the tariffs used on electricity charges to the communities from NERSA as required by the section 15 (2) of the Electricity Regulation Act no. 4 of 2006.

INTERNAL CONTROL

62. In accordance with the PA A and in terms of *General Notice 1111 of 2010*, issued in *Government Gazette 33872 of 15 December 2010*, I considered internal control relevant to my audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the significant deficiencies that resulted in the basis for disclaimer of opinion, the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

Leadership

63. The accounting officer does not exercise oversight responsibility over financial and performance reporting and compliance with applicable laws and regulations. There was no code of conduct for employees established.

Financial and performance management

64. The finance and supply chain management departments are understaffed which resulted in material amendments to the financial statements submitted for audit and non compliance to supply chain management regulations. Furthermore due to inadequate record keeping and record management, requested information was not always available as per agreed timeframes. Tender documents and contracts were not submitted for the audit, supporting documents for expenditure and receivables were not provided. There were instances where no formal written price quotations were not attached to invoices for transactions between R10 000 to R200 000.

Governance

65. Proper governance structures are not in place and not functioning effectively as the municipality does not have an internal audit division and audit committee to enable an assessment of the effectiveness of internal control over financial and performance reporting. A fraud prevention plan is not documented and used as per the requirements of applicable legislation. The municipality does not have an internal audit division and did not fulfil its responsibilities as set out in legislation and in accordance with accepted best practice furthermore the annual financial statements and performance report are not reviewed prior to submission for audit.

Angela - Gwene.

Rustenburg

30 November 2011



ACTION PLAN TO ADDRESS QUALIFICATIONS RAISED

2008/2009

Component	No.	Finding	Recommendation	Management Comment	Auditor Response	Responsible officials	Target Date	Progress
Revenue	62.	<ul style="list-style-type: none"> There was a difference of R1 123 939 between conditional grants recognised as revenue and the conditional grants reconciliation. 	Grants which their conditions have been met should be recognised as revenue.	The transactions that were misallocated will be rectified and the 2009-10 Annual Financial Statements	Revenue from conditional grants and unspent conditional grants balance would be qualified as in aggregate the misstatements are material.	Y. Bulbulia	30/06/11	Source documents prior 2008/9 outstanding
Revenue	61.	<ul style="list-style-type: none"> Supporting documentation of R4 259 425 relating to water meter readings could not be presented. I was unable to perform alternative procedures due to lack of sufficient and appropriate evidence 	Meter readings supporting documents should be submitted for audit purposes	Internal control procedures will be improved to ensure that documents are available for audit during the 2009/10 year	Management accept the risk, audit finding taken to the audit report	P. Breet	31/07/10	Completed - The source documents for 2009/10 are available for audit
Revenue	57.	<ul style="list-style-type: none"> There was a difference of R1 008 183 relating to investment interest between the investment register and the accounting records. 	Interest on investment earned must be timeously recorded in the interest on investment account in the general ledger.	A correction of an error will be processed during 2009/10 financial year	Management accept the risk, audit finding taken to the management report	P Breet	31/08/10	Completed - A correcting journal has been posted to agree the records with the register

Component No. Finding			Recommendations	Management Comment	Auditor Response	Responsible officials	Target Date	Progress
Revenue	66.	<ul style="list-style-type: none"> Revenue amounts collected as agent of the entity or on behalf of other third parties do not result in increases in assets or decrease in liabilities, therefore they are excluded from revenue. The municipality recognised all licences collected on behalf of the Provincial Department of Transport as revenue. Thus, revenue was overstated with R4 130 236 	The municipality should recognise only 20% commission of licenses and permits agreed upon with the Department of Transport as revenue in their accounting records	Adjusting journal will be processed to correct the error.	Audit finding taken to the audit report	P Breet	31/7/10	Completed – General Ledger and AFS updated
Revenue	64.	<ul style="list-style-type: none"> There was a difference of R2 989 732 relating to licence and permits between E-Natis reports and the accounting records 	Licenses and permits as per E-Natis report should be reconciled to the licenses and permits general ledger accounts on monthly basis.	Reconciliations will be performed to ensure that the E-Natis report agrees with the accounting records..	Management accept the risk, audit finding taken to the audit report	P Breet	31/7/10	Completed - Reconciliation was performed

Revenue	63.	<ul style="list-style-type: none"> Interest earned on the main cheque account of R544 922 was not recorded in the accounting records. 	Senior official should ensure completeness of transactions in through review of reconciliations.	Interest that was not recorded will be rectified and the 2009-10 AFS	Management accept the risk, audit finding taken to the audit report	P Breet	15/8/10	Completed – General Ledger and AFS updated
Component	No.	Finding	Recommendations	Management Comment	A u d i t o r Response	Responsible officials	Target Date	Progress
Revenue	58.	<ul style="list-style-type: none"> The official interest rate charged on the arrear accounts for the first nine months of the financial period was not approved by Council and the interest rate used on the last three months was not in accordance with the approved interest rate of prime plus one percent. I was unable to confirm the accuracy of interest earned on outstanding debtors of R9 182 019. 	Interest rate must be approved by council during the approval of MTERF budget and correct rates be used accordingly.	Municipality will seek approval from Council and correct interest rate applied during 2009/10.	Management accept the risk, audit finding taken to the audit report	P Breet	30/06/11	Credit Control and Debt Collection policy is currently reviewed to include a fixed interest rate.

Revenue	59. 60.	<ul style="list-style-type: none"> The electricity and water tariffs approved by Council were not approved by NERSA and DWAF respectively, therefore revenue was overstated 	Management should obtain approval from the DWAF and NERSA before implementing water and electricity tariff respectively.	Application will be submitted to these authorities to condone the tariffs levied.	Management accept the risk, audit finding taken to the audit report.	P Breet	30/04/11	Submission made, awaiting Approval
Revenue	65.	<ul style="list-style-type: none"> It was not possible to trace several electricity meter readings to the debtors' sub-ledger. Furthermore, several service accounts consumptions were estimated for the year 	Monthly reconciliation of manual records and financial system should be done to ensure complete and accurate processing.	A meter audit exercise to be conducted to ensure that all stands have functioning meters	Management accept the risk, audit finding taken to the audit report	P Breet	30/06/11	

Component No. Finding			Recommendation	Management Comment	A u d i t o r Response	Responsible officials	Target Date	Progress
Revenue	67.	<ul style="list-style-type: none"> I was unable to verify the accuracy and occurrence of property rates amounting to R2 358 492 since the municipality did not perform a reconciliation between the valuation roll and rates used in the system. 	Rateable valuation reconciliation should be prepared.	Property rates reconciliations will be performed for 2009/10 financial year.	Non-performance of these reconciliations cast doubt on the accuracy of rates revenue. Audit finding taken to the audit report	P Breet	30/06/11	New valuation roll implemented
Expenses	26.	<ul style="list-style-type: none"> Supporting documentation of R1 153 535 relating to tender documentation was not provided. 	Management should ensure the SCM policy is complied with and moreover that bid documentation are safely kept.	The outstanding documentation will also be located and submitted for audit purposes.	Management accept the risk, audit finding taken to the audit report.	Y Bulbulia	30/06/11	

Expenses	33 & 34	<ul style="list-style-type: none"> I was unable to determine accuracy of the depreciation due to the material difference of R156 564 803 between the fixed asset register and the statement of financial position 	Management should ensure that depreciation is correctly allocated to all the categories of property, plant & equipment.	Service provider will be appointed to compute depreciation on verified fixed assets	Management accept the risk, audit finding taken to the audit report.	M Koch	31/07/11	
Component	No.	Finding	Recommendation	Management Comment	A u d i t o r Response	Responsible officials	T a r g e t Date	Progress
Expenses	33 & 34	<ul style="list-style-type: none"> Repairs and maintenance amounting to R1 986 620 were erroneously included under general expenses, resulting in overstatement of general expenses 	Ensure that the transactions are classified accurately.	The transactions that were misallocated will be rectified and the 2009-10	Management accept the risk, audit finding taken to the audit report	Y Bulbulia	30/11/10	Completed

Expenses	35.	<ul style="list-style-type: none"> The municipality accounted for all of the licence and permit fees collected on behalf of the Department of Transport as income. Consequently they accounted for the transfer of those monies to the department as expenditure in the statement of financial performance, therefore expenditure is overstated by R7 270 434. 	Management should ensure that all payments made to the Department of Transport are accounted for correctly.	Adjusting journals will be posted to correct the error	Management accept the risk, audit finding taken to the audit report	Y Bulbulia	30/09/10	Completed
Expenses	29. & 32.	<ul style="list-style-type: none"> Expenditure supporting documentation of R481 166 could not be presented for audit. 	Ensure that all supporting documentation is attached to the cheque vouchers	The outstanding documentation will also be located and submitted for audit purposes	Management accept the risk, audit finding taken to the audit report.	Y Bulbulia	30/06/11	

Component	No.	Finding	Recommendation	Management Comment	Auditor Response	Responsible officials	Target Date	Progress
Expenses	17.	<ul style="list-style-type: none"> Thirty-one employees could not be verified, which cast significant doubt on the existence of these employees. 	Ensure that all employees on the payroll system exist, and make themselves available for verification purposes.	Verification of employees will be done during 2010/11 to ensure existence	31 employees not verified cast significant doubt on their existence. Audit finding taken to the audit report	J Mothebe	30/06/11	
Creditors	11.	<ul style="list-style-type: none"> I was unable to verify the completeness, existence, valuation and allocation of and obligation relating to the opening balance included in the statement of financial position and notes to the financial statements due to the impact of the audit qualification on the creditor balance during the 2007-08 financial year. 	Management should ensure that creditors' reconciliations are performed to be able to produce complete and accurate creditors balance.	Reconciliations will be performed during 2009/10 and adjusting journals passed	Audit finding taken to the audit report.	Y Bulbulia	30/06/11	80% complete

Creditors	76.	<ul style="list-style-type: none"> There was a difference of R299 948 between 	Ensure that the calculation for leave pay is calculated and	Overstatement of provisions will be rectified and the	The difference of R299,948 to be taken to the	L Mulette	20/09/10	Completed
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Component	No.	Finding	Recommendation	Auditor Response		Responsible officials	Target Date	Progress
				Management Comment				
		<ul style="list-style-type: none"> The payroll system report and the accounting records, therefore leave provision was overstated 	transferred to the financial statements correctly	2009/10 Annual Financial Statements	Schedule of misstatements. Taken to management report.			
Creditors	39.	<ul style="list-style-type: none"> Municipal infrastructure grants (MIGs) amounting to R13 524 000 were offset against trade creditors, resulting in trade creditors being stated at debit balance in the AFS. 	Management should ensure that creditors' reconciliations are performed to be able to produce complete and accurate creditors balance.	A reconciliation will be performed and adjusting journal passed	Audit finding taken to the audit report.	Y Bulbulia	31/08/10	Complete
Creditors	39.	<ul style="list-style-type: none"> Payments of R8 490 184 already made were included in the trade creditors balance. 	Management should ensure that creditors' reconciliations are performed to be able to produce complete and accurate creditors balance.	A reconciliation will be performed and adjusting journal passed	Audit finding taken to the audit report.	Y Bulbulia	15/09/10	Done

Component No. Finding			Recommendation	Auditor Response Management Comment		Responsible officials	Target Date	Progress
Creditors	39.	<ul style="list-style-type: none"> Supporting documentation of creditors amounting to R1 878 802 were not presented for audit 	Management should ensure that creditors reconciliations are performed to be able to produce complete and accurate creditors' balances	Proper filing will be implemented to ensure that documents are available for audit during 2009/10	Audit finding taken to the audit report	Y Bulbulia	30/11/10	
Creditors		<ul style="list-style-type: none"> Creditors with debit balances were incorrectly disclosed under current liabilities. This was also indicative of duplicate payments made to creditors. 	Management should ensure that creditors' reconciliations are performed to be able to produce complete and accurate creditors balance	A reconciliation will be performed and adjusting journal passed	Audit finding taken to the audit report	Y Bulbulia	30/06/06	9 0 % complete
Creditors	36	<ul style="list-style-type: none"> Supporting documents for the suspense accounts amounting to R3 148 313 were not presented for audit 	Supporting documents should be submitted for audit purposes	Proper filing will be implemented to ensure that documents are available for audit during 2009/10	Audit finding taken to the audit report.	Y Bulbulia	30/06/11	

Component	No.	Finding	Recommendation	A u d i t o r		Responsible officials	Target Date	Progress
				Management Comment	Response			
Unspent conditional grants	20.	<ul style="list-style-type: none"> . Municipal system improvement grant amounting to R2 520 000 have been incorrectly disclosed as revenue in the general ledger, trial balance and AFS - Note 17 	MSIG should be correctly recorded and classified in the general ledger	A reconciliation will be performed and adjusting journal passed	Audit finding taken to the audit report.	Y Bulbulia	30/09/10	Complete
Unspent conditional grants	21.	<ul style="list-style-type: none"> There was an MIG difference of R3 100 461 between the accounting records and the financial statements 	Management should reconcile the conditional grants to the expenditure incurred regularly.	A reconciliation will be performed and adjusting journal passed	Audit finding taken to the audit report.	Y Bulbulia	30/06/11	70% complete
	&							
Unspent conditional grants	23.	<ul style="list-style-type: none"> There was an difference of R165 222 between the accounting records and the financial statements. RDP unspent was understated. 	Management should reconcile the conditional grants to the expenditure incurred regularly.	A reconciliation will be performed and adjusting journal passed	Audit finding taken to the audit report.	Y Bulbulia	20/11/10	Complete
Unspent conditional grants	19.	<ul style="list-style-type: none"> There was an difference of R226 269 between the accounting records and the financial statements. DME unspent was understated. 	Management should reconcile the conditional grants to the expenditure incurred regularly.	A reconciliation will be performed and adjusting journal passed	Audit finding taken to the audit report.	Y Bulbulia	20/11/10	Complete

Component	No.	Finding	Recommendation	A u d i t o r		Responsible officials	Target Date	Progress
				Management Comment	Response			
Investments	25.	<ul style="list-style-type: none"> Investments balance per register did not reconcile to the general ledger and the financial statements 	Management should reconcile the investment register to the general ledger on monthly basis to ensure accurate and complete recording of transactions.	A reconciliation will be performed and adjusting journal passed	Audit finding taken to the audit report.	P Breet	31/08/10	Complete
Long-term liabilities	1.	<ul style="list-style-type: none"> The audit team noted that there was no contract between DBSA and municipality available for audit purposes, only a interest and redemption listing. 	Management should ensure that there is an updated contract on file	A copy of the contract will be available for 2009.10 audit	Audit finding taken to the audit report	Y Bulbulia	30/06/11	Request for a copy made to DBSA
Inventory	50.	<ul style="list-style-type: none"> During the audit we noted that the stock sheets had no values and therefore we could not agree the final figure as per stock count to the value in the annual financial statements for accuracy 	Management should ensure that the final figure as per stock count is the same figure that would be disclosed in the annual financial statements.	A reconciliation will be performed and adjusting journal passed	Audit finding taken to the audit report	M Koch	15/08/10	Complete

Component No. Finding			Recommendation	Management Comment	Auditor Response	Responsible officials	Target Date	Progress
Inventory	48.	<ul style="list-style-type: none"> During our audit we noted that there was an inventory amounting to R66 991 which was redundant but not written off in the balance sheet of the council 	Management should ensure that inventory which is obsolete is written down to its net realisable value.	The transactions that were misstated will be rectified and the 2009-10 Annual Financial Statements	Audit finding taken to the audit report	M Koch	30/06/11	
Trade and other receivables	53.	<ul style="list-style-type: none"> Debtor account with credit balances amounting to R1 853 457 was erroneously offset against the debtor account, therefore debtors were understated with the same amount. 	Accounts with a credit balance must be disclosed under accounts payable at year end.	Accounts with credit balances will be reclassified and the 2009-10 Annual Financial Statements will be adjusted	Management accept the risk, audit finding taken to the audit report.	P Breet	30/06/11	
Trade and other receivables	54.	<ul style="list-style-type: none"> The difference on the capital suspense account which we could not obtain supporting evidence of it amounting to R1 847 was noted between the general ledger and the AFS 	Management should reconcile general ledger account to trial balance and AFS	Proper filing system will be introduced to ensure that supporting documents are available for audit	audit finding taken to the audit report	P Breet	30/06/11	

Component No. Finding			Recommendation	Management Comment	Auditor Response	Responsible officials	Target Date	Progress
Trade and other receivables	50.	<ul style="list-style-type: none"> Insufficient details were provided, therefore it was not possible to re-perform a provision for doubtful debt calculation. 	Provisions and/or estimated balances should be supported by supporting schedules for transparency and audit purposes.	Workings will be done in terms GRAP during 2009/10 and adjustments made	Management accept the risk, audit finding taken to the audit report	P Breet	30/09/10	Complete
Trade and other receivables	52.	<ul style="list-style-type: none"> No supporting documentation could be obtained to substantiate the R950 096 opening balance of Town Hall deposits included in the debtors balance. 	Monthly reconciliation of rental deposits and refund should be done to ensure complete and accurate records.	The transactions that were understated will be rectified and the 2009/10 Annual Financial Statements	Management accept the risk, audit finding taken to the audit report	Y Bulbulia	30/06/11	
Trade and other receivables	5.	<ul style="list-style-type: none"> Unallocated deposits amounting to R1 293 219 was not cleared at year-end, therefore it was not possible to assess the impact upon outstanding accounts. 	Ensure that all unidentified deposits are allocated to the same account and that a senior official reviews list with a signature as evidence thereof.	Direct deposits will be receipted daily, a follow up on unidentified amounts made with the bank	Management accept the risk, audit finding taken to the audit report	Y Bulbulia	30/06/11	

Component No. Finding			Recommendation	Management Comment	A u d i t o r Response	Responsible officials	T a r g e t Date	Progress
Trade and other receivables	55.	<ul style="list-style-type: none"> VAT refund for May and June 2009 amounting to R529 199 was not accounted for as a debtor, therefore trade receivables were understated by the above-mentioned amount 	Management should ensure that general ledger and trial balance reconcile to be able to produce complete and accurate financial information.	Vat reconciliation reconciliation will be performed and a debtor/ liability recognised by end of the financial year.	Audit finding taken to the audit report as the receivable and investments balances are qualified	M Du Toit	31/08/10	Complete
Bank and cash	4.	<ul style="list-style-type: none"> R417 134 difference between the outstanding cheque listing and the bank reconciliation. 	Ensure that a list of outstanding cheques is provided that indicates and corresponds to amount in bank reconciliation.	Outstanding cheques will be investigated and necessary action will be taken to rectify the bank reconciliation.	Accept the risk, audit finding taken to the audit report	Y Bulbulia	30/06/11	
Bank and cash	4.	<ul style="list-style-type: none"> Supporting documents of R2 264 243 relating to the outstanding deposits on the bank reconciliation. 	Ensure that a list of outstanding deposits is provided that indicates and corresponds to amount in bank reconciliation.	All outstanding documentation will be submitted for audit purposes	Management accept the risk, audit finding taken to the audit report	Y Bulbulia	30/06/11	
Property, plant and equipment	42.	<ul style="list-style-type: none"> The difference of R156 564 803 between the fixed assets and the statement of financial position 	Management should ensure that the annual financial statements agree to the assets register.	Service provider will be appointed to reconcile FAR and AFS	Management accept the risk, audit finding taken to the audit report.	M Koch	31/07/11	

Component	No.	Finding	Recommendation	Management Comment	A u d i t o r Response	Responsible officials	Target Date	Progress
Property, plant and equipment	46. & 48	<ul style="list-style-type: none"> The assets register contains insufficient details to trace assets from the register to the physical location and vice versa. Furthermore, the municipality did not conduct physical count of the assets. 	<p>Management should ensure that the assets are physically verified at least once in a financial year.</p> <p>Management should ensure that all the assets requested for verification are availed to the auditor.</p>	Service provider will be appointed to conduct asset verification and compile a GRAP compliant fixed asset register	Management accept the risk, audit finding taken to the audit report.	M Koch	31/07/11	
Property, plant and equipment	45..	<ul style="list-style-type: none"> Depreciation charges were not calculated on new additions, which is in contravention of the Statement of Generally Recognised Accounting Principles (GRAP) 17, paragraph 65. Consequently, accumulated depreciation was understated by R272 272. 	Management should ensure that depreciation is correctly allocated to all the categories of property, plant & equipment.	Service provider will be appointed to compute depreciation on verified fixed assets	Management accept the risk, audit finding taken to the audit report.	M Koch	31/07/11	
Property, plant and equipment	44.	<ul style="list-style-type: none"> No maintenance and service plans for the infrastructure were available, therefore it 	Management should ensure that all the infrastructure of the municipality are serviced as and when they a	Service provider will be appointed to compile a fixed assets management	Management accept the risk, audit finding taken to the	M Koch	31/09/11	F u n d i n g requested from the District Municipality

Component	No.	Finding	Recommendation	Management Comment	A u d i t o r Response	Responsible officials	Target Date	Progress
		<ul style="list-style-type: none"> was not possible to determine the accuracy of the useful life of infrastructure assets. 	the records of the services are kept	Service provider will be appointed to compile a fixed assets management policy	audit report			
Property, plant and equipment	43.	<ul style="list-style-type: none"> The Statement of GRAP 17, PPE states that each significant part must be accounted for and depreciated separately. Infrastructure assets were not broken up into serviceable parts. 	Management should ensure that all the assets which belong to the municipality are included in the assets register.	Service provider will be appointed to perform unbundling of infrastructure assets	Management accept the risk, audit finding taken to the audit report.	M Koch	31/07/11	
Property, plant and equipment	47.	<ul style="list-style-type: none"> Disposed assets with the carrying value of R178 943 were not removed from the asset register and this carrying value of disposed assets was not disclosed in the PPE note to the financial statements, as required by GRAP 17.82, Disclosure. 	Management should ensure that assets which have been disposed off are removed from the assets register	Service provider will be appointed to reconcile the fixed asset register to the general ledger	Management accept the risk, audit finding taken to the audit report.	M Koch	31/07/11	

Component	No.	Finding	Recommendation	Management Comment	A u d i t o r Response	Responsible officials	Target Date	Progress
		<ul style="list-style-type: none"> Fixed asset register did not contain the funding source of the assets, therefore it was not possible to reconcile the assets register with the reserves 	The municipality should start the process of using the implementation guide issued by National Treasury	Service provider will be appointed to compile a GRAP compliant fixed asset register.	Management accept the risk, audit finding taken to the audit report.	M Koch	31/07/11	
Property, plant and equipment	55	<ul style="list-style-type: none"> VAT amounting to R85 584 relating to newly purchased assets was wrongly capitalised. 	Management should ensure that the assets are recorded in the Fixed Assets Register at amounts excluding VAT if it is claimable.	Service provider will be appointed to reconcile the fixed asset register to the general ledger	Management accept the risk, audit finding taken to the audit report.	M Koch	31/07/11	
O t h e r disclosures	8.	<ul style="list-style-type: none"> No supporting documentation for commitments could be provided, therefore it was not possible to determine the completeness of commitments as none was disclosed in the financial statements. 	Management should ensure that a council approved commitments schedule be prepared annually.	Proper filing will be done to ensure that source documents are available for the 2009/10 financial year	Management accept the risk, audit finding taken to the audit report.	CFO	30/09/10	Completed

Component	No.	Finding	Recommendation	Management Comment	A u d i t o r Response	Responsible officials	Target Date	Progress
O t h e r disclosures	16.	<ul style="list-style-type: none"> No legal confirmation from the municipal attorneys or representation from management could be obtained to determine completeness of contingent liabilities 	Disclosure relating to the contingent liabilities should be looked into at the reporting date and after year-end, and the required disclosure be made accordingly.	Proper filing will be done to ensure that source documents are available for the 2009/10 financial year	Management accept the risk, audit finding taken to the audit report.	CFO	30/09/10	Completed

11. Conclusion

The achievement of the priorities highlighted as key challenges herein above are critical and can only be achieved through the commitment devotion and dedication of all the municipal staff and councilors, coupled with the availability of sufficient resources.

These will in no doubt able the Municipality to operate speedily and expeditiously in timeously addressing the key challenges, in a community centered, organized, thus realizing the principles of Batho-Pele.

This has been one of the most challenging year in terms of Council operation. The special acknowledgement goes to the Department of Local Government in the province. Acknowledgements also to all the departments that acceded to our request of providing information for purpose of integration and alignment in our planning processes to bring effective and efficient service in a sustainable manner to all South African communities.

